

TOWN OF WYTHEVILLE, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

TOWN OF WYTHEVILLE, VIRGINIA
 FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2019

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TOWN OF WYTHEVILLE, VIRGINIA
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INTRODUCTORY SECTION

TOWN OF WYTHEVILLE, VIRGINIA

TOWN COUNCIL

Beth A. Taylor, Mayor
Jacqueline K. King, Vice-Mayor
Joseph E. Hand, Jr.
Mark J. Bloomfield
Cathy D. Pattison

OTHER OFFICIALS

C. Wayne Sutherland, Jr.
Stephen A. Moore
Michael G. Stephens
Sharon G. Corvin
Christopher Menerick

Town Manager
Assistant Town Manager
Town Treasurer
Town Clerk
Town Attorney

FINANCIAL SECTION



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wytheville, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wytheville, Virginia, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 21 to the financial statements, in 2019, the Town adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, and schedules related to pension and OPEB funding on pages 67 and 68-78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2019, on our consideration of the Town of Wytheville, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Wytheville, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Wytheville, Virginia's internal control over financial reporting and compliance.

Polinse, Faneer, Cox Associates

Blacksburg, Virginia
November 5, 2019

Basic Financial Statements

Town of Wytheville, Virginia
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 14,401,791	\$ 818,180	\$ 15,219,971
Receivables (net of allowance for uncollectibles):			
Taxes receivable	83,120	-	83,120
Accounts receivable	538,949	775,616	1,314,565
Due from other governmental units	430,330	-	430,330
Prepaid items	9,275	-	9,275
Noncurrent assets:			
Restricted cash, cash equivalents, and investments:			
Cash and cash equivalents	-	53,528	53,528
Capital assets (net of accumulated depreciation):			
Land	1,572,278	163,236	1,735,514
Land rights	-	94,838	94,838
Buildings and utility plant	20,145,168	17,340,326	37,485,494
Machinery and equipment	2,451,610	682,330	3,133,940
Construction in progress	4,316,226	2,021,939	6,338,165
Total assets	<u>\$ 43,948,747</u>	<u>\$ 21,949,993</u>	<u>\$ 65,898,740</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 7,637	\$ 34,793	\$ 42,430
Pension related items	823,741	154,209	977,950
OPEB related items	220,137	10,824	230,961
Total deferred outflows of resources	<u>\$ 1,051,515</u>	<u>\$ 199,826</u>	<u>\$ 1,251,341</u>
LIABILITIES			
Accounts payable	\$ 1,063,425	\$ 279,948	\$ 1,343,373
Accrued payroll/fringes	560,651	89,065	649,716
Customer deposits	25,769	-	25,769
Retainage payable	194,166	83,612	277,778
Accrued interest payable	68,110	64,640	132,750
Long-term liabilities:			
Due within one year	1,817,689	1,090,510	2,908,199
Due in more than one year	15,767,388	12,136,407	27,903,795
Liabilities payable from restricted assets	-	53,528	53,528
Total liabilities	<u>\$ 19,497,198</u>	<u>\$ 13,797,710</u>	<u>\$ 33,294,908</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 5,930	\$ -	\$ 5,930
Pension related items	934,363	184,959	1,119,322
OPEB related items	140,369	9,215	149,584
Total deferred inflows of resources	<u>\$ 1,080,662</u>	<u>\$ 194,174</u>	<u>\$ 1,274,836</u>
NET POSITION			
Net investment in capital assets	\$ 16,468,520	\$ 7,850,247	\$ 24,318,767
Unrestricted	7,953,882	307,688	8,261,570
Total net position	<u>\$ 24,422,402</u>	<u>\$ 8,157,935</u>	<u>\$ 32,580,337</u>

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

Town of Wytheville, Virginia
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Operating		Governmental Activities	Business-type Activities		Total
		Charges for Services	Grants and Contributions		Capital Grants and Contributions	Primary Government	
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 4,595,077	\$ 22,366	\$ -	\$ (4,572,711)	\$ -	\$ (4,572,711)	
Public safety	3,835,305	181,539	236,573	(3,417,193)	-	(3,417,193)	
Public works	3,728,163	111,919	3,295,106	(321,138)	-	(321,138)	
Health and welfare	12,091	-	-	(12,091)	-	(12,091)	
Parks, recreation, and cultural	2,524,509	933,680	4,500	(1,586,329)	-	(1,586,329)	
Community development	2,177,391	3,682	-	(2,173,709)	-	(2,173,709)	
Interest on long-term debt	262,310	-	-	(262,310)	-	(262,310)	
Total governmental activities	\$ 17,134,846	\$ 1,253,186	\$ 3,536,179	\$ (12,345,481)	\$ -	\$ (12,345,481)	
Business-type activities:							
Water and sewer	\$ 6,422,249	\$ 5,776,335	\$ -	\$ -	\$ (645,914)	\$ (645,914)	
Total primary government	\$ 23,557,095	\$ 7,029,521	\$ 3,536,179	\$ (12,345,481)	\$ (645,914)	\$ (12,991,395)	
General revenues:							
General property taxes				\$ 1,646,203	\$ -	\$ 1,646,203	
Local sales and use taxes				608,917	-	608,917	
Consumers' utility taxes				238,097	-	238,097	
Business license taxes				1,361,813	-	1,361,813	
Bank stock taxes				425,218	-	425,218	
Hotel and motel room taxes				1,502,331	-	1,502,331	
Restaurant food taxes				3,157,233	-	3,157,233	
Tobacco tax				189,853	-	189,853	
Other local taxes				171,823	-	171,823	
Unrestricted revenues from use of money and property				437,818	4,439	442,257	
Miscellaneous				704,989	14,869	719,858	
Grants and contributions not restricted to specific programs				503,581	-	503,581	
Total general revenues and transfers				\$ 10,947,876	\$ 19,308	\$ 10,967,184	
Change in net position				\$ (1,397,605)	\$ (626,606)	\$ (2,024,211)	
Net position - beginning				25,820,007	8,784,541	34,604,548	
Net position - ending				\$ 24,422,402	\$ 8,157,935	\$ 32,580,337	

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

Town of Wytheville, Virginia
Balance Sheet
Governmental Funds
June 30, 2019

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 14,004,677	\$ 350,113	\$ 14,354,790
Receivables (net of allowance for uncollectibles):			
Taxes receivable	83,120	-	83,120
Accounts receivable	538,949	-	538,949
Due from other governmental units	430,330	-	430,330
Prepaid items	9,275	-	9,275
Total assets	<u>\$ 15,066,351</u>	<u>\$ 350,113</u>	<u>\$ 15,416,464</u>
LIABILITIES			
Accounts payable	\$ 1,063,425	\$ -	\$ 1,063,425
Accrued wages	560,651	-	560,651
Unearned revenue	14,916	-	14,916
Customer deposits	25,769	-	25,769
Retainage payable	194,166	-	194,166
Total liabilities	<u>\$ 1,858,927</u>	<u>\$ -</u>	<u>\$ 1,858,927</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 82,162	\$ -	\$ 82,162
FUND BALANCES			
Nonspendable:			
Prepaid Items	\$ 9,275	\$ -	\$ 9,275
Committed:			
Debt service	5,000,000	-	5,000,000
Rainy day	6,000,000	-	6,000,000
Special revenue funds	-	335,418	335,418
Assigned:			
Capital projects funds	-	14,695	14,695
Unassigned	2,115,987	-	2,115,987
Total fund balances	<u>\$ 13,125,262</u>	<u>\$ 350,113</u>	<u>\$ 13,475,375</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,066,351</u>	<u>\$ 350,113</u>	<u>\$ 15,416,464</u>

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

Town of Wytheville, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 June 30, 2019

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$	13,475,375
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Land	\$	1,572,278	
Buildings and utility plant		20,145,168	
Machinery and equipment		2,451,610	
Construction in progress		4,316,226	28,485,282
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.			
Unavailable revenue - property taxes			91,148
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	823,741	
OPEB related items		220,137	1,043,878
Internal service funds are used by management to account for other postemployment benefits. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.			47,001
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Bonds payable	\$	(10,268,190)	
Less deferred charge on refunding		7,637	
Compensated absences		(1,170,316)	
Capital leases		(878,686)	
Landfill accrued closure/post-closure costs		(688,023)	
Accrued interest payable		(68,110)	
Net OPEB liabilities		(2,658,940)	
Net pension liability		(1,920,922)	(17,645,550)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(934,363)	
OPEB related items		(140,369)	(1,074,732)
Net position of governmental activities			\$ 24,422,402

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

Town of Wytheville, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 1,661,041	\$ -	\$ 1,661,041
Other local taxes	7,655,285	-	7,655,285
Permits, privilege fees, and regulatory licenses	204,651	-	204,651
Fines and forfeitures	83,695	-	83,695
Revenue from the use of money and property	435,687	1,864	437,551
Charges for services	964,840	-	964,840
Miscellaneous	693,941	11,048	704,989
Recovered costs	130,445	-	130,445
Intergovernmental:			
Commonwealth	4,024,506	-	4,024,506
Federal	15,254	-	15,254
Total revenues	<u>\$ 15,869,345</u>	<u>\$ 12,912</u>	<u>\$ 15,882,257</u>
EXPENDITURES			
Current:			
General government administration	\$ 6,149,053	\$ -	\$ 6,149,053
Public safety	3,898,734	-	3,898,734
Public works	4,147,263	-	4,147,263
Health and welfare	10,598	1,493	12,091
Parks, recreation, and cultural	2,481,726	1,020	2,482,746
Community development	2,136,938	-	2,136,938
Debt service:			
Principal retirement	790,267	-	790,267
Interest and other fiscal charges	263,999	-	263,999
Total expenditures	<u>\$ 19,878,578</u>	<u>\$ 2,513</u>	<u>\$ 19,881,091</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (4,009,233)</u>	<u>\$ 10,399</u>	<u>\$ (3,998,834)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 7,065	\$ 7,065
Transfers out	(31,065)	-	(31,065)
Issuance of capital leases	800,000	-	800,000
Total other financing sources (uses)	<u>\$ 768,935</u>	<u>\$ 7,065</u>	<u>\$ 776,000</u>
Net change in fund balances	\$ (3,240,298)	\$ 17,464	\$ (3,222,834)
Fund balances - beginning	16,365,560	332,649	16,698,209
Fund balances - ending	<u>\$ 13,125,262</u>	<u>\$ 350,113</u>	<u>\$ 13,475,375</u>

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

Town of Wytheville, Virginia
 Reconciliation of Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds \$ (3,222,834)

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

Capital asset additions	\$ 4,147,769	
Depreciation expense	(1,084,832)	3,062,937

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (54,000)

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

Change in unavailable property taxes (14,838)

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

Debt issued or incurred:		
Capital leases	\$ (800,000)	
Change in accrued landfill closure/postclosure cost	37,692	
Principal repayments:		
General obligation bonds	548,771	
Capital leases	241,496	27,959

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences	\$ (67,559)	
Change in accrued interest	2,453	
Amortization of deferred charge on refunding	(764)	
Change in pension related items	(1,052,068)	
Change in OPEB related items	(83,658)	(1,201,596)

Internal service funds are used by management to charge the costs of certain activities, such as postemployment benefits, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. 4,767

Change in net position of governmental activities \$ (1,397,605)

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

Town of Wytheville, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2019

	Enterprise Fund		Internal Service
	Major Funds	Nonmajor Fund	Fund
	Water & Sewer	Total	Retiree Health Insurance Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 818,180	\$ 818,180	\$ 47,001
Accounts receivable, net of allowance for uncollectibles	775,616	775,616	-
Due from other funds	65,284	65,284	-
Total current assets	<u>\$ 1,659,080</u>	<u>\$ 1,659,080</u>	<u>\$ 47,001</u>
Noncurrent assets:			
Restricted cash, cash equivalents, and investments:			
Cash and cash equivalents	\$ 53,528	\$ 53,528	\$ -
Capital assets:			
Land	\$ 163,236	\$ 163,236	\$ -
Land rights	94,838	94,838	-
Construction in progress	2,021,939	2,021,939	-
Machinery and equipment	2,670,933	2,670,933	-
Utility plant in service	55,900,208	55,900,208	-
Less accumulated depreciation	(40,548,485)	(40,548,485)	-
Total capital assets	<u>\$ 20,302,669</u>	<u>\$ 20,302,669</u>	<u>\$ -</u>
Total noncurrent assets	<u>\$ 20,356,197</u>	<u>\$ 20,356,197</u>	<u>\$ -</u>
Total assets	<u>\$ 22,015,277</u>	<u>\$ 22,015,277</u>	<u>\$ 47,001</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 34,793	\$ 34,793	\$ -
OPEB related items	10,824	10,824	-
Pension related items	154,209	154,209	-
Total deferred outflows of resources	<u>\$ 199,826</u>	<u>\$ 199,826</u>	<u>\$ -</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 279,948	\$ 279,948	\$ -
Retainage payable	83,612	83,612	-
Accrued payroll/fringes	89,065	89,065	-
Accrued interest payable	64,640	64,640	-
Due to other funds	65,284	65,284	-
Compensated absences - current portion	123,415	123,415	-
Capital leases - current portion	61,534	61,534	-
Bonds payable - current portion	803,171	803,171	-
Amount due to Wythe County - current portion	102,390	102,390	-
Total current liabilities	<u>\$ 1,673,059</u>	<u>\$ 1,673,059</u>	<u>\$ -</u>
Current liabilities payable from restricted assets:			
Customer deposits payable	\$ 53,528	53,528	\$ -
Noncurrent liabilities:			
Capital leases - net of current portion	\$ 21,065	\$ 21,065	\$ -
Bonds payable - net of current portion	9,753,199	9,753,199	-
Compensated absences - net of current portion	41,138	41,138	-
Amount due to Wythe County - net of current portion	1,588,618	1,588,618	-
Net pension liability	365,722	365,722	-
Net OPEB liabilities	366,665	366,665	-
Total noncurrent liabilities	<u>\$ 12,136,407</u>	<u>\$ 12,136,407</u>	<u>\$ -</u>
Total liabilities	<u>\$ 13,862,994</u>	<u>\$ 13,862,994</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES			
OPEB related items	\$ 9,215	\$ 9,215	\$ -
Pension related items	184,959	184,959	-
Total deferred inflows of resources	<u>\$ 194,174</u>	<u>\$ 194,174</u>	<u>\$ -</u>
NET POSITION			
Net investment in capital assets	\$ 7,850,247	\$ 7,850,247	\$ -
Unrestricted	307,688	307,688	47,001
Total net position	<u>\$ 8,157,935</u>	<u>\$ 8,157,935</u>	<u>\$ 47,001</u>

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

Town of Wytheville, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Enterprise Funds			Internal Service
	Major Funds	Nonmajor Fund		
	Water & Sewer	IDA	Total	Retiree Health Insurance Fund
OPERATING REVENUES				
Charges for services:				
Water revenues	\$ 3,351,762	\$ -	\$ 3,351,762	\$ -
Sewer revenues	2,381,487	-	2,381,487	-
Penalties	43,086	-	43,086	-
Miscellaneous	14,869	-	14,869	-
Total operating revenues	<u>\$ 5,791,204</u>	<u>\$ -</u>	<u>\$ 5,791,204</u>	<u>\$ -</u>
OPERATING EXPENSES				
Salaries	\$ 1,411,757	\$ -	\$ 1,411,757	\$ -
Fringe benefits	431,072	-	431,072	-
Professional services	327,600	-	327,600	-
Repair and maintenance	591,879	-	591,879	-
Operating materials and supplies	967,252	-	967,252	-
Permits, licenses and memberships	12,084	-	12,084	-
Utilities	487,712	-	487,712	-
Travel	7,717	-	7,717	-
Office supplies	6,237	-	6,237	-
Postal services	4,082	-	4,082	-
Insurance	14,417	-	14,417	19,500
Miscellaneous expenses	38,348	-	38,348	-
Economic development	-	600,000	600,000	-
Depreciation	1,388,585	-	1,388,585	-
Total operating expenses	<u>\$ 5,688,742</u>	<u>\$ 600,000</u>	<u>\$ 6,288,742</u>	<u>\$ 19,500</u>
Operating income (loss)	<u>\$ 102,462</u>	<u>\$ (600,000)</u>	<u>\$ (497,538)</u>	<u>\$ (19,500)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	\$ 4,439	\$ -	\$ 4,439	\$ 267
Contribution from Town of Wytheville	-	600,000	600,000	-
Payment to NRRWA	(439,273)	-	(439,273)	-
Interest expense	(294,234)	-	(294,234)	-
Total nonoperating revenues (expenses)	<u>\$ (729,068)</u>	<u>\$ 600,000</u>	<u>\$ (129,068)</u>	<u>\$ 267</u>
Income before transfers	<u>\$ (626,606)</u>	<u>\$ -</u>	<u>\$ (626,606)</u>	<u>\$ (19,233)</u>
Transfers in	-	-	-	24,000
Change in net position	<u>\$ (626,606)</u>	<u>\$ -</u>	<u>\$ (626,606)</u>	<u>\$ 4,767</u>
Total net position - beginning	8,784,541	-	8,784,541	42,234
Total net position - ending	<u>\$ 8,157,935</u>	<u>\$ -</u>	<u>\$ 8,157,935</u>	<u>\$ 47,001</u>

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

Town of Wytheville, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Enterprise Funds			Internal Service
	Major Funds	Nonmajor Fund	Fund	
	Water & Sewer	IDA	Total	Retiree Health Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 5,777,752	\$ -	\$ 5,777,752	\$ -
Payments to suppliers	(2,360,173)	(600,000)	(2,960,173)	-
Payments to and for employees	(1,614,122)	-	(1,614,122)	(19,500)
Net cash provided by (used for) operating activities	\$ 1,803,457	\$ (600,000)	\$ 1,203,457	\$ (19,500)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	\$ -	\$ -	\$ -	\$ 24,000
Contribution from Town of Wytheville	-	600,000	600,000	-
Payment to NRRWA	(439,273)	-	(439,273)	-
Net cash provided by (used for) noncapital financing activities	\$ (439,273)	\$ 600,000	\$ 160,727	\$ 24,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Additions to capital assets	\$ (501,719)	\$ -	\$ (501,719)	\$ -
Proceeds from capital lease	-	-	-	-
Proceeds from bonds	346,324	-	-	-
Principal payments on bonds	(817,204)	-	(817,204)	-
Principal payments on capital lease	(100,721)	-	(100,721)	-
Interest payments	(322,514)	-	(322,514)	-
Loan payments to other localities	(109,673)	-	(109,673)	-
Net cash provided by (used for) capital and related financing activities	\$ (1,505,507)	\$ -	\$ (1,851,831)	\$ -
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	\$ 4,439	\$ -	\$ 4,439	\$ 267
Net cash provided by (used for) investing activities	\$ 4,439	\$ -	\$ 4,439	\$ 267
Net increase (decrease) in cash and cash equivalents	\$ (136,884)	\$ -	\$ (483,208)	\$ 4,767
Cash and cash equivalents - beginning - including restricted	1,008,592	-	1,008,592	42,234
Cash and cash equivalents - ending - including restricted	\$ 871,708	\$ -	\$ 525,384	\$ 47,001
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 102,462	\$ (600,000)	\$ (497,538)	\$ (19,500)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	\$ 1,388,585	\$ -	\$ 1,388,585	\$ -
(Increase) decrease in accounts receivable	(15,418)	-	(15,418)	-
(Increase) decrease in pension related items	(165,618)	-	(165,618)	-
Increase (decrease) in compensated absences	9,939	-	9,939	-
Increase (decrease) in operating accounts payable	97,155	-	97,155	-
Increase (decrease) in net pension liability	361,744	-	361,744	-
Increase (decrease) in accrued payroll	24,779	-	24,779	-
Increase (decrease) in OPEB liabilities	11,719	-	11,719	-
(Increase) decrease in OPEB related items	(13,856)	-	(13,856)	-
Increase (decrease) in customer deposits	1,966	-	1,966	-
Total adjustments	\$ 1,700,995	\$ -	\$ 1,700,995	\$ -
Net cash provided by (used for) operating activities	\$ 1,803,457	\$ (600,000)	\$ 1,203,457	\$ (19,500)

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

Town of Wytheville, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	<u>Agency Funds</u>		<u>Perpetual Care Trust Fund</u>
	<u>New River Regional Water Authority</u>	<u>Memorial Fund</u>	
ASSETS			
Cash and cash equivalents	\$ 1,481,219	\$ 27,784	\$ 360,163
Capital assets (net of accumulated depreciation)	-	-	70,160
Total assets	<u>\$ 1,481,219</u>	<u>\$ 27,784</u>	<u>\$ 430,323</u>
LIABILITIES			
Held for New River Regional Water Authority	\$ 1,481,219	\$ -	\$ -
Held for cemetery expenditures	-	27,784	-
Total liabilities	<u>\$ 1,481,219</u>	<u>\$ 27,784</u>	<u>\$ -</u>
NET POSITION			
Held in trust for cemetery expenditures			<u>\$ 430,323</u>

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

Town of Wytheville, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2019

	<u>Perpetual Care Trust Fund</u>
ADDITIONS	
Contributions:	
Town	\$ 13,846
Total contributions	<u>\$ 13,846</u>
Investment earnings:	
Interest	\$ 1,902
Net increase (decrease) in the fair market value of investments	<u>1,778</u>
Net investment earnings	<u>\$ 3,680</u>
Total additions	<u>\$ 17,526</u>
DEDUCTIONS	
Expenses	<u>8,045</u>
Change in net position	\$ 9,481
Net position - beginning	<u>420,842</u>
Net position - ending	<u><u>\$ 430,323</u></u>

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

TOWN OF WYTHEVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Financial reporting entity:

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

Blended Component Units - None

Discretely Presented Component Units - None

Related Organizations - None

Jointly Governed Organizations:

The Town along with the Counties of Wythe and Carroll participate in New River Regional Water Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. The Town is also the fiscal manager for New River Regional Water Authority. For the fiscal year ended June 30, 2019, the Town contributed \$439,273 to New River Regional Water Authority.

The Town along with the Counties of Wythe and Bland participate in Crossroads Regional Industrial Facilities Authority. The governing body of this organization is appointed by respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2019, the Town contributed \$53,171 to Crossroads Regional Industrial Facilities Authority.

The Town along with the Counties of Wythe and Smyth participate in Smyth-Wythe Airport. The governing body of this organization is appointed by respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2019, the Town contributed \$25,280 to Smyth-Wythe Airport.

The Town along with the County of Wythe and Town of Rural Retreat participate in Joint Wythe Industrial Development Authority. The governing body of this organization is appointed by respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2019, the Town contributed \$97,547 to Joint Wythe Industrial Development Authority.

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

B. Government-wide and fund financial statements:

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

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

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

Prior to fiscal year 2018, the OPEB liability was accounted for in the internal service fund, OPEB fund. With the adoption of GASB 75, OPEB related items were moved out of this fund leaving funds held for retiree health insurance. The funding of the Retiree Health Insurance, internally, is accounted for in an internal service fund.

The government reports the following nonmajor proprietary funds:

The Town has a separate IDA fund for transactions unrelated to the town. The activities of these transactions are accounted for in the IDA fund.

Additionally, the government reports the following fund types:

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Town reports the Homestead Endowment and Wall of Honor funds as nonmajor funds.

The *capital projects fund* accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Town reports the CDBG fund as a nonmajor fund.

Fiduciary funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. The Perpetual Care Trust fund is a trust fund. The Agency funds consist of the New River Regional Water Authority fund and Memorial fund.

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

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

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

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

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 Town's enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

1. Cash and cash equivalents

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

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Property Taxes

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

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

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

3. Use of Estimates

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

4. Prepaid Items

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

5. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical data and, in certain cases, specific account analysis. The allowance amounted to approximately \$159,349 at June 30, 2019. The allowance consists of delinquent taxes in the amount of \$8,321, mowing and special assessments of \$24,370 and delinquent water and sewer bills of \$126,658.

6. Capital Assets

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

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

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

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

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

6. Capital Assets (Continued)

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

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

7. Compensated Absences

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has multiple items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension liability and net OPEB liability and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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

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

8. Deferred Outflows/Inflows of Resources (Continued)

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

9. Long-term Obligations

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

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

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's Retirement Plan and the additions to/deductions from the Town'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.

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

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

11. Fund Balance

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

Committed Fund Balance Policy:

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

Assigned Fund Balance Policy:

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

Minimum Unassigned Fund Balance Policy:

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

Resource Flow Policy:

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

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

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

11. Fund Equity (Continued)

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

	Other Governmental Funds
Fund Balances:	
Committed:	
Homestead Endowment	\$ 323,801
Wall of Honor	11,617
Total Committed	\$ 335,418

12. Net Position

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

13. Net Position Flow Assumption

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

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

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

14. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI and LODA OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In addition to the VRS related OPEB, the Town allows their retirees to stay on the health insurance plan after retirement. The retiree is required to pay the blended premium cost creating an implicit subsidy OPEB liability. In addition, retirees received a monthly stipend towards their health insurance cost until the retiree is Medicare eligible.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary information:

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

1. Prior to May 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The General fund and Water/Sewer Fund have legally adopted budgets.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. Only the Town Council can revise the appropriation for each department or category. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY: (CONTINUED)

A. Budgetary information: (Continued)

8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the Town's accounting system.

B. Excess of expenditures over appropriations:

For the year ended June 30, 2019, no fund had expenditures in excess of its appropriations.

C. Deficit fund equity:

At June 30, 2019, there were no funds with deficit fund equity.

NOTE 3 - DEPOSITS AND INVESTMENTS:

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

Investments: Statutes authorize local governments and other public bodies 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 reported no investments at June 30, 2019.

NOTE 4 - DEFERRED/UNAVAILABLE REVENUE:

Deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred.

Unearned Revenue - Unearned revenue representing uncollected mowing and special assessment that was not available for funding of current expenditures totaled \$14,916 at June 30, 2019.

Unavailable Revenue - Unavailable revenue representing uncollected tax billings that was not available for funding of current expenditures totaled \$82,162 at June 30, 2019.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

NOTE 4 - DEFERRED/UNAVAILABLE REVENUE: (CONTINUED)

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2019 but paid in advance by the taxpayers totaled \$5,930 at June 30, 2019.

NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS:

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

	Primary Government Governmental Activities
Commonwealth of Virginia	
Local Sales Taxes	\$ 107,132
Noncategorical Aid	68,047
Other Categorical Aid	255,151
	<hr/>
Total Due from Other Governmental Units	\$ 430,330

NOTE 6 - INTERFUND ACTIVITY:

Interfund transfers for the year ended June 30, 2019, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 31,065
Homestead Endowment Fund	7,065	
OPEB Fund	24,000	-
Total	<hr/> \$ 31,065	<hr/> \$ 31,065

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

<u>Fund</u>	<u>Due To</u>	<u>Due From</u>	<u>Total</u>
Water Fund	\$ -	\$ 65,284	\$ 65,284
Waste Water Fund	(65,284)	-	(65,284)

During fiscal year 2018, the water fund paid \$65,284 in debt service for the wastewater fund. As of June 30, 2019, the amount has not been repaid to the water fund.

TOWN OF WYTHEVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

NOTE 7 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,572,278	\$ -	\$ -	\$ 1,572,278
Construction in progress	6,086,885	2,572,169	(4,342,828)	4,316,226
Total capital assets not being depreciated	<u>\$ 7,659,163</u>	<u>\$ 2,572,169</u>	<u>\$ (4,342,828)</u>	<u>\$ 5,888,504</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 22,439,233	\$ 4,641,958	\$ -	\$ 27,081,191
Machinery and equipment	7,155,063	1,222,470	(207,940)	8,169,593
Total capital assets being depreciated	<u>\$ 29,594,296</u>	<u>\$ 5,864,428</u>	<u>\$ (207,940)</u>	<u>\$ 35,250,784</u>
Accumulated depreciation:				
Buildings and improvements	\$ (6,382,556)	\$ (553,467)	\$ -	\$ (6,936,023)
Machinery and equipment	(5,394,558)	(531,365)	207,940	(5,717,983)
Total accumulated depreciation	<u>\$ (11,777,114)</u>	<u>\$ (1,084,832)</u>	<u>\$ 207,940</u>	<u>\$ (12,654,006)</u>
Total capital assets being depreciated, net	<u>\$ 17,817,182</u>	<u>\$ 4,779,596</u>	<u>\$ -</u>	<u>\$ 22,596,778</u>
Governmental activities capital assets, net	<u>\$ 25,476,345</u>	<u>\$ 7,351,765</u>	<u>\$ (4,342,828)</u>	<u>\$ 28,485,282</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 163,236	\$ -	\$ -	\$ 163,236
Land rights	94,838	-	-	94,838
Construction in progress	2,408,215	451,403	(837,679)	2,021,939
Total capital assets not being depreciated	<u>\$ 2,666,289</u>	<u>\$ 451,403</u>	<u>\$ (837,679)</u>	<u>\$ 2,280,013</u>
Capital assets, being depreciated:				
Utility plant and equipment	\$ 55,189,609	\$ 710,599	\$ -	\$ 55,900,208
Machinery and equipment	2,363,875	307,058	-	2,670,933
Total capital assets being depreciated	<u>\$ 57,553,484</u>	<u>\$ 1,017,657</u>	<u>\$ -</u>	<u>\$ 58,571,141</u>
Accumulated depreciation:				
Utility plant and equipment	\$ (37,350,398)	\$ (1,209,484)	\$ -	\$ (38,559,882)
Machinery and equipment	(1,809,502)	(179,101)	-	(1,988,603)
Total accumulated depreciation	<u>\$ (39,159,900)</u>	<u>\$ (1,388,585)</u>	<u>\$ -</u>	<u>\$ (40,548,485)</u>
Total capital assets being depreciated, net	<u>\$ 18,393,584</u>	<u>\$ (370,928)</u>	<u>\$ -</u>	<u>\$ 18,022,656</u>
Business-type activities capital assets, net	<u>\$ 21,059,873</u>	<u>\$ 80,475</u>	<u>\$ (837,679)</u>	<u>\$ 20,302,669</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

NOTE 7 - CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:	
General government administration	\$ 58,333
Public safety	216,114
Public works	678,709
Parks, recreation, and cultural	130,076
Community development	<u>1,600</u>
 Total depreciation expense - governmental activities	 <u>\$ 1,084,832</u>
 Business-type activities:	
Water and Sewer	<u>\$ 1,388,585</u>

NOTE 8 - LONG-TERM OBLIGATIONS:

Governmental Activities Indebtedness:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2019:

	Balance July 1, 2018	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2019
Direct borrowings and placements				
General obligation refunding bonds	\$ 10,816,961	\$ -	\$ (548,771)	\$ 10,268,190
Capital leases (Note 10)	320,182	800,000	(241,496)	878,686
Net pension liability (Note 12)	20,169	4,169,994	(2,269,241)	1,920,922
Landfill postclosure monitoring liability (Note 11)	725,715	-	(37,692)	688,023
Net OPEB liabilities (Notes 15-17)	2,438,498	507,496	(287,054)	2,658,940
Compensated absences	1,102,757	894,627	(827,068)	1,170,316
	<u>\$ 15,424,282</u>	<u>\$ 6,372,117</u>	<u>\$ (4,211,322)</u>	<u>\$ 17,585,077</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019NOTE 8 - LONG-TERM OBLIGATIONS: (CONTINUED)Governmental Activities Indebtedness: (Continued)

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

Year Ending June 30,	Direct Borrowings and Placements General Obligation Refunding Bonds	
	Principal	Interest
2020	\$ 555,687	\$ 227,933
2021	568,311	215,330
2022	581,164	202,436
2023	594,506	189,251
2024	607,899	175,765
2025-2029	3,235,261	666,501
2030-2034	3,407,334	291,679
2035	718,028	12,086
	<u>\$ 10,268,190</u>	<u>\$ 1,980,981</u>

Details of long-term obligations:

	Interest Rate	Date Issued	Final Maturity Date	Amount of Original Issue	Total Amount	Amount Due Within One Year
Direct Borrowings and Placements:						
General obligation refunding bond	2.24%	3/27/2015	4/1/2035	\$ 9,219,826	\$ 7,689,017	\$ 404,491
General obligation refunding bond	2.45%	12/1/2014	2/1/2030	727,720	495,582	41,586
General obligation refunding bond	2.24%	2/5/2016	3/27/2035	2,468,148	2,083,591	109,610
Total Direct Borrowings and Placements					<u>\$ 10,268,190</u>	<u>\$ 555,687</u>
Other Obligations:						
Capital leases					\$ 878,686	\$ 384,265
Landfill postclosure liability					688,023	-
Net OPEB liabilities					2,658,940	-
Net pension liability					1,920,922	-
Compensated absences					1,170,316	877,737
Total Other Obligations					<u>\$ 7,316,887</u>	<u>\$ 1,262,002</u>
Total Long-term Obligations					<u>\$ 17,585,077</u>	<u>\$ 1,817,689</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

NOTE 8 - LONG-TERM OBLIGATIONS: (CONTINUED)

Business-type Activities Indebtedness:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2019:

	Balance July 1, 2018	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2019
Direct borrowings and placements				
General obligation bonds	\$ 4,531,654	\$ 346,324	\$ (120,400)	\$ 4,757,578
General obligation refunding bonds	6,495,596	-	(696,804)	5,798,792
Total direct borrowings and placements	\$ 11,027,250	\$ 346,324	\$ (817,204)	\$ 10,556,370
Capital leases (Note 10)	183,320	-	(100,721)	82,599
Amount due to Wythe Co.	1,800,681	-	(109,673)	1,691,008
Net pension liability (Note 12)	3,978	793,930	(432,186)	365,722
Net OPEB liabilities (Notes 15-17)	354,946	45,389	(33,670)	366,665
Compensated absences	154,614	125,899	(115,961)	164,553
	<u>\$ 13,524,789</u>	<u>\$ 1,311,542</u>	<u>\$ (1,609,415)</u>	<u>\$ 13,226,917</u>

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

Year Ending June 30,	Direct Borrowings and Placements			
	General Obligation Bonds		General Obligation Refunding Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 123,435	\$ -	\$ 679,735	\$ 131,225
2021	126,545	-	697,103	115,564
2022	129,735	-	711,828	99,495
2023	133,007	-	729,628	83,075
2024	136,363	-	745,975	66,260
2025-2029	735,240	-	1,684,610	170,719
2030-2034	710,193	-	502,076	24,240
2035-2039	576,065	-	47,837	805
2040-2044	644,590	-	-	-
2045-2049	721,267	-	-	-
2050-2052	374,814	-	-	-
Totals	<u>\$ 4,411,254</u>	<u>\$ -</u>	<u>\$ 5,798,792</u>	<u>\$ 691,383</u>

During fiscal year 2019 the Town issued a general obligation bond through Virginia Resources Authority for \$1,386,000. This bond is currently in the drawdown phase and during fiscal year 2019 the Town only drew down \$346,324 of the total issuance.

TOWN OF WYTHEVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

NOTE 8 - LONG-TERM OBLIGATIONS: (CONTINUED)

Business-type Activities Indebtedness: (Continued)

Details of long-term obligations:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Amount Due	Amount Due Within One Year
Direct Borrowings and Placements						
General obligation bonds	2.25%	12/13/2011	2052	\$ 4,105,000	\$ 3,702,835	\$ 78,581
General obligation bonds	2.73%	12/2/2011	2032	964,540	708,419	44,854
General obligation bonds	2.45%	12/1/2014	2030	4,470,280	2,906,833	243,914
General obligation bonds	2.20%	12/1/2014	2025	4,127,500	2,241,308	401,594
General obligation bonds	0.00%	3/28/2019	2039	1,386,000	346,324	-
General obligation bonds	2.24%	3/27/2015	2035	780,174	650,651	34,227
Total Direct Borrowings and Placements					\$ 10,556,370	\$ 803,170
Other Obligations:						
Capital leases					\$ 82,599	\$ 61,534
Amount due to Wythe Co. (1)					1,691,008	102,390
Net pension liability					365,722	-
Net OPEB liabilities					366,665	-
Compensated absences					164,553	123,415
Total Other Obligations					\$ 2,670,547	\$ 287,339
Total Long-term Obligations					\$ 13,226,917	\$ 1,090,509

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

NOTE 9 - CAPITAL LEASES:

Governmental activities:

The Town has entered into lease agreements to finance the acquisition of communications equipment and several police vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at present value of the minimum lease payments at the date of inception.

The assets acquired through capital leases are as follows:

	Police Vehicles	Communications Equipment	Fire Truck and Street Sweeper	Total
Assets	\$ 184,206	\$ 326,747	\$ 837,586	\$ 1,348,539
Less: Accumulated Depreciation	(66,643)	(140,035)	(56,359)	(263,037)
Total	<u>\$ 117,563</u>	<u>\$ 186,712</u>	<u>\$ 781,227</u>	<u>\$ 1,085,502</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

Year Ending June 30,	Police Vehicles	Communications Equipment	Fire Truck and Street Sweeper	Total
2020	\$ 64,547	\$ 65,630	\$ 279,180	\$ 409,357
2021	-	65,630	279,180	344,810
2022	-	-	162,856	162,856
Total	<u>\$ 64,547</u>	<u>\$ 131,260</u>	<u>\$ 721,215</u>	<u>\$ 917,022</u>
Less, amount representing interest	(3,198)	(7,066)	(28,072)	(38,336)
Present Value of Lease Agreement	<u>\$ 61,349</u>	<u>\$ 124,194</u>	<u>\$ 693,143</u>	<u>\$ 878,686</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

NOTE 9 - CAPITAL LEASES: (CONTINUED)

Business-type activities:

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

The assets acquired through capital leases are as follows:

	Meter Reading System	Communications Equipment	Total
Assets	\$ 549,143	\$ 108,916	\$ 658,059
Less: Accumulated Depreciation	(91,524)	(87,133)	(178,657)
Total	\$ 457,619	\$ 21,783	\$ 479,402

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

Year Ending June 30,	Meter Reading System	Communications Equipment	Total
2020	\$ 41,618	\$ 21,877	\$ 63,495
2021	-	21,877	21,877
Total	\$ 41,618	\$ 43,754	\$ 85,372
Less, amount representing interest	(417)	(2,356)	(2,773)
Present Value of Lease Agreement	\$ 41,201	\$ 41,398	\$ 82,599

NOTE 10 - LANDFILL POSTCLOSURE MONITORING LIABILITY:

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 10 years after closure. The Town closed the landfill in December 1997. As a result of a new estimate provided by the Town's landfill engineer in 2018, total postclosure monitoring costs are estimated to be \$688,023. This estimate is based on ten years of monitoring starting with fiscal year 2019 and ending in fiscal year 2029. The amount is based on what it would cost to perform all postclosure in 2019. Actual costs for postclosure monitoring may change due to inflation, deflation, changes in technology, or changes in regulations. The Town is using the State Financial Assurance Mechanism to meet their Financial Assurance requirements for their landfill.

NOTE 11 - PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by a VRS Retirement Plan upon employment, through the Town of Wytheville, Virginia. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, several entities whose financial information is not included in the primary government report, participate in the VRS plan through the Town of Wytheville, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan.

Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.

NOTE 11 - PENSION PLAN: (CONTINUED)

Benefit Structures (Continued)

- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

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.

NOTE 11 - PENSION PLAN: (CONTINUED)

Contributions (Continued)

The Town's contractually required employer contribution rate for the year ended June 30, 2019 was 9.14% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$598,688 and \$615,041 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

At June 30, 2019, the Town reported a liability of \$2,286,644 for its proportionate share of the net pension liability. The Town's net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 and rolled forward to the measurement date of June 30, 2018. The Town's proportionate share of the same was calculated using contributions to the plan as of June 30, 2018 as a basis for allocation. At June 30, 2018 and 2017, the Town's proportion was 97.60% and 97.63%, respectively.

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NOTE 11 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

NOTE 11 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

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

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

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

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

NOTE 11 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTE 11 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

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NOTE 11 - 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:

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

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

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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 11 - PENSION PLAN: (CONTINUED)

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Town's proportionate share of the Town Retirement Plan net pension liability(asset)	\$ 5,913,851	\$ 2,286,644	\$ (731,150)

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

For the year ended June 30, 2019, the Town recognized pension expense of \$1,829,100. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 378,978	\$ 589,845
Change in assumptions	-	301,836
Net difference between projected and actual earnings on pension plan investments	-	226,312
Change in proportionate share	284	1,329
Employer contributions subsequent to the measurement date	598,688	-
Total	<u>\$ 977,950</u>	<u>\$ 1,119,322</u>

NOTE 11 - PENSION PLAN: (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$598,688 reported as deferred outflows of resources related to pensions resulting from the Town’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30,</u>	<u>Primary Government</u>
2020	\$ (275,145)
2021	(263,295)
2022	(180,187)
2023	(21,433)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report-pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 12 - RISK MANAGEMENT:

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

NOTE 13 - SURETY BONDS:

<u>Clorendon National Insurance Company</u>	
All Town Employees - blanket bond	\$ 1,000,000

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS - MEDICAL:

Plan Description

In addition to the pension benefits described in Note 11, the Town administers a single-employer defined benefit healthcare plan, The Plan. The plan provides post-employment health care benefits to all eligible permanent employees who meet the requirements under the Town's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

Post-employment benefits are provided to eligible retirees include Medical, Dental, and Life insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the Town who meet eligibility requirements of the pension plan are eligible to receive post-employment health care benefits.

Plan Membership

At June 30, 2019 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	163
Total retirees with coverage	<u>6</u>
Total	<u><u>169</u></u>

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Town Board. The amount paid by the Town for OPEB as the benefits came due during the year ended June 30, 2019 was \$63,787.

Total OPEB Liability

The Town's net OPEB liability was measured as of June 30, 2019. The Total OPEB liability used to calculate the net OPEB liability was determine by an actuarial valuation as of that date.

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NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS - MEDICAL: (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year
Salary Increases	5.35% to 3.50% depending on years of service with an inflation rate of 2.50% and a productivity component of 1.00%.
Discount Rate	3.87% for accounting and funding disclosures as of June 30, 2018 3.50% for accounting and funding disclosures as of June 30, 2019
Mortality rates for Active employees and healthy retirees, disabled retirees were based on a RP-2014 Total Dataset Mortality Table.	

The date of the most recent actuarial experience study for which significant assumptions were based is June 30, 2016.

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the Bond Buyer 20-year Bond GO Index.

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances at June 30, 2018	\$ 1,685,005
Changes for the year:	
Service cost	72,706
Interest	66,828
Changes in assumptions	59,739
Benefit payments	(63,787)
Change in proportionate share	691
Net changes	<u>136,177</u>
Balances at June 30, 2019	<u>\$ 1,821,182</u>

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NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS - MEDICAL: (CONTINUED)

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

The following amounts present the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current discount rate:

Rate		
1% Decrease (2.50%)	Current Discount (3.50%)	1% Increase (4.50%)
\$ 1,993,431	\$ 1,821,182	\$ 1,684,656

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

The following presents the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.9% decreasing to 3.20%) or one percentage point higher (6.9% decreasing to 5.20%) than the current healthcare cost trend rates:

Rates Healthcare Cost		
1% Decrease (4.9% decreasing to 3.20%)	Trend (5.9% decreasing to 4.20%)	1% Increase (6.9% decreasing to 5.20%)
\$ 1,602,855	\$ 1,821,182	\$ 2,082,743

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

For the year ended June 30, 2019, the Town recognized OPEB expense in the amount of \$140,942. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 7,769	\$ -
Total	\$ 7,769	\$ -

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NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS - MEDICAL: (CONTINUED)

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources:
 (Continued)*

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

Year Ended June 30		
2020	\$	1,467
2021		1,467
2022		1,467
2023		1,467
2024		1,467
Thereafter		434

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

NOTE 15 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN):

Plan Description

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

NOTE 15 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the GLI Program from the Town were \$35,466 and \$33,277 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the Town reported a liability of \$511,423 for its proportionate share of the Net GLI OPEB Liability.

The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2018, the Town's proportion was 0.03448% as compared to 0.03526% at June 30, 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

NOTE 15 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

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

For the year ended June 30, 2019, the Town recognized GLI OPEB expense of \$1,952. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 25,377	\$ 8,783
Net difference between projected and actual earnings on GLI OPEB program investments	-	16,592
Change in assumptions	-	21,472
Changes in proportion	-	10,737
Employer contributions subsequent to the measurement date	<u>35,466</u>	<u>-</u>
Total	<u>\$ 60,843</u>	<u>\$ 57,584</u>

\$35,466 reported as deferred outflows of resources related to the GLI OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ (9,760)
2021	(9,760)
2022	(9,760)
2023	(4,880)
2024	-
Thereafter	1,953

NOTE 15 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTE 15 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTE 15 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTE 15 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTE 15 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,113,508
Plan Fiduciary Net Position	1,594,773
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,518,735</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%

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

NOTE 15 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

NOTE 15 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Town's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 667,583	\$ 511,423	\$ 383,568

Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 16 - LINE OF DUTY ACT (LODA) PROGRAM:

Plan Description

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for the LODA Program OPEB, including eligibility, coverage and benefits is described below:

NOTE 16 - LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Plan Description (Continued)

Eligible Employees

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program.

Benefit Amounts

The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after; \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date; or an additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

The LODA program also provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by LODA.

Contributions

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Act Program for the year ended June 30, 2019 was \$567.37 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$24,349 and \$23,546 for the years ended June 30, 2019 and June 30, 2018, respectively.

NOTE 16 - LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2019, the entity reported a liability \$693,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2018 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2018, the entity's proportion was 0.22106% as compared to 0.22489% at June 30, 2017.

For the year ended June 30, 2019, the entity recognized LODA OPEB expense of \$59,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 99,000	\$ -
Net difference between projected and actual earnings on LODA OPEB plan investments	-	2,000
Change in assumptions	-	80,000
Change in proportion	39,000	10,000
Employer contributions subsequent to the measurement date	<u>24,349</u>	<u>-</u>
Total	<u>\$ 162,349</u>	<u>\$ 92,000</u>

NOTE 16 - LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB (Continued)

\$24,349 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2020	\$	6,000
2021		6,000
2022		6,000
2023		6,000
2024		6,000
Thereafter		16,000

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.50%-5.35%
SPORS employees	3.50%-4.75%
VaLORS employees	3.50%-4.75%
Locality employees	3.50%-4.75%
Medical cost trend rates assumption:	
Under age 65	7.75%-5.00%
Ages 65 and older	5.75%-5.00%
Year of ultimate trend rate	Fiscal year ended 2024
Investment rate of return	3.89%, net of OPEB plan investment expenses, including inflation*

NOTE 16 - LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Actuarial Assumptions (Continued)

*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 3.89%. However, since the difference was minimal, a more conservative 3.89% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return.

Mortality Rates - Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

NOTE 16 - LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

NOTE 16 - LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Net LODA OPEB Liability

The net OPEB liability (NOL) for the LODA Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the LODA Program is as follows (amounts expressed in thousands):

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 315,395
Plan Fiduciary Net Position	1,889
Employers' Net OPEB Liability (Asset)	\$ 313,506
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.60%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program’s investments was set at 3.89% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2018.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.89%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2018, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

NOTE 16 - LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.89%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.89%) or one percentage point higher (4.89%) than the current rate:

	Discount Rate		
	1% Decrease (2.89%)	Current (3.89%)	1% Increase (4.89%)
Town's proportionate share of the total LODA Net OPEB Liability	\$ 794,000	\$ 693,000	\$ 612,000

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the LODA Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.75% decreasing to 5.00%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate:

	Health Care Trend Rates		
	1% Decrease (6.75% decreasing to 4.00%)	Current (7.75% decreasing to 5.00%)	1% Increase (8.75% decreasing to 6.00%)
Town's proportionate share of the total LODA Net OPEB Liability	\$ 591,000	\$ 693,000	\$ 821,000

LODA OPEB Fiduciary Net Position

Detailed information about the LODA Program Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019NOTE 17 - SUMMARY OF OPEB PLANS:

	Primary Government			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
Town Stand-Alone Plan (Note 15)	\$ 7,769	\$ -	\$ 1,821,182	\$ 140,942
VRS OPEB Plans:				
Group Life Insurance Program (Note 16):	60,843	57,584	511,423	1,952
Line of Duty Act Program (Note 17)	162,349	92,000	693,000	59,000
Totals	<u>\$ 230,961</u>	<u>\$ 149,584</u>	<u>\$ 3,025,605</u>	<u>\$ 201,894</u>

NOTE 18 - LITIGATION:

As of June 30, 2019, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable.

NOTE 19 - COMMITMENTS AND CONTINGENCIES:

At June 30, 2019, the following construction commitments were outstanding:

Project	Total Due	Retainage Payable	Net Amount Due	Accounts Payable
Governmental Activities				
East Main Street Improvements	\$ 660,626	\$ 155,783	\$ 504,843	\$ 582,562
Way Finding Project	150,066	38,383	111,683	100,795
Business Type Activities				
WWTP Co-Generation Project	264,454	68,081	196,373	62,185
Edgemont Sewer Project	833,297	15,531	817,766	73,626
Total Governmental Activities	<u>\$ 1,908,443</u>	<u>\$ 277,778</u>	<u>\$ 1,630,665</u>	<u>\$ 819,168</u>

NOTE 20 - ADOPTION OF ACCOUNTING PRINCIPLES:

The Town implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

NOTE 21 - UPCOMING PRONOUNCEMENTS:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

Required Supplementary Information

Town of Wytheville, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 1,543,700	\$ 1,543,700	\$ 1,661,041	\$ 117,341
Other local taxes	7,109,000	7,109,000	7,655,285	546,285
Permits, privilege fees, and regulatory licenses	160,100	160,100	204,651	44,551
Fines and forfeitures	86,000	86,000	83,695	(2,305)
Revenue from the use of money and property	371,500	371,500	435,687	64,187
Charges for services	987,930	987,930	964,840	(23,090)
Miscellaneous	595,710	595,710	693,941	98,231
Recovered costs	142,285	142,285	130,445	(11,840)
Intergovernmental:				
Commonwealth	4,130,400	4,130,400	4,024,506	(105,894)
Federal	592,880	592,880	15,254	(577,626)
Total revenues	<u>\$ 15,719,505</u>	<u>\$ 15,719,505</u>	<u>\$ 15,869,345</u>	<u>\$ 149,840</u>
EXPENDITURES				
Current:				
General government administration	\$ 5,300,285	\$ 5,706,235	\$ 6,149,053	\$ (442,818)
Public safety	3,689,606	4,017,106	3,898,734	118,372
Public works	4,026,617	4,714,167	4,147,263	566,904
Health and welfare	9,100	10,600	10,598	2
Parks, recreation, and cultural	2,780,061	2,620,461	2,481,726	138,735
Community development	2,012,056	2,157,056	2,136,938	20,118
Debt service:				
Principal retirement	670,276	790,276	790,267	9
Interest and other fiscal charges	263,999	263,999	263,999	-
Total expenditures	<u>\$ 18,752,000</u>	<u>\$ 20,279,900</u>	<u>\$ 19,878,578</u>	<u>\$ 401,322</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,032,495)</u>	<u>\$ (4,560,395)</u>	<u>\$ (4,009,233)</u>	<u>\$ 551,162</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (24,000)	\$ (34,100)	\$ (31,065)	\$ 3,035
Issuance of capital leases	-	800,000	800,000	-
Total other financing sources (uses)	<u>\$ (24,000)</u>	<u>\$ 765,900</u>	<u>\$ 768,935</u>	<u>\$ 3,035</u>
Net change in fund balances	\$ (3,056,495)	\$ (3,794,495)	\$ (3,240,298)	\$ 554,197
Fund balances - beginning	3,056,495	3,794,495	16,365,560	12,571,065
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,125,262</u>	<u>\$ 13,125,262</u>

Town of Wytheville, Virginia
 Schedule of the Town's Proportionate Share of the Net Pension Liability (Asset)
 For the Measurement Dates of June 30, 2014 through June 30, 2018

Town of Wytheville, Virginia's Pension Plan (a cost-sharing multiple employer plan administered by the VRS):

Date	Proportion of the Net Pension Liability (Asset) (NPLA)	Proportionate Share of the NPLA	Covered Payroll	Proportionate Share of the NPLA as a Percentage of Covered Payroll (3)/(4)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)
(1)	(2)	(3)	(4)	(5)	(6)
2018	97.6000%	\$ 2,286,644	\$ 6,556,692	34.87%	91.80%
2017	97.6300%	24,147	6,503,135	0.37%	99.90%
2016	97.6300%	2,337,873	6,314,595	37.02%	90.34%
2015	97.8893%	2,089,948	5,967,595	35.02%	91.14%
2014	97.8893%	1,977,140	5,733,462	34.48%	91.23%

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

Town of Wytheville, Virginia
 Schedule of Employer Contributions
 Pension Plan
 For the Years Ended June 30, 2010 through June 30, 2019

Town of Wytheville, Virginia's Pension Plan (a cost-sharing multiple employer plan administered by the VRS):

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	\$ 598,688	\$ 598,688	\$ -	\$ 6,985,218	8.57%
2018	615,041	615,041	-	6,556,692	9.38%
2017	376,531	376,531	-	6,503,135	5.79%
2016	535,937	535,937	-	6,314,454	8.49%
2015	517,261	517,261	-	5,967,595	8.67%
2014	501,678	501,678	-	5,733,462	8.75%
2013	499,393	499,393	-	5,707,350	8.75%
2012	341,246	341,246	-	5,677,965	6.01%
2011	332,447	332,447	-	5,531,564	6.01%
2010	259,736	259,736	-	5,479,663	4.74%

Town of Wytheville, Virginia
Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2019

Changes of benefit terms - There have been actuarially material changes to the System benefit provisions since the prior actuarial valuation.

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

Largest 10 - Non-Hazardous Duty:

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

Largest 10 - Hazardous Duty:

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

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

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Town of Wytheville, Virginia
 Schedule of Town's Share of Net OPEB Liability
 Town OPEB Plan
 For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)
2018	97.64000%	\$ 1,821,182	N/A	N/A
2017	97.60000%	1,685,005	N/A	N/A

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

Town of Wytheville, Virginia
 Notes to Required Supplementary Information - Town OPEB
 Town OPEB Plan
 For the Year Ended June 30, 2019

Valuation Date: 7/1/2017
 Measurement Date: 6/30/2019

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of pay
Discount Rate	3.87% as of June 30, 2018; 3.50% as of June 30, 2019
Inflation	2.5% per year
Healthcare Trend Rate	The expected healthcare trend rates are based on long-term healthcare trend rates generated by the Getzen Trend Model. Rates start at 5.90% in 2018 and gradually decrease to 4.20% by the year 2083
Salary Increase Rates	The salary increase rate includes an inflation rate of 2.5%, a productivity component of 1.00% and a variable merit component that is dependent upon years of service. The rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service.
Mortality Rates	Mortality is based in the RP-2000 mortality tables, sex distinct and fully generational.

Town of Wytheville, Virginia
 Schedule of Town's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2018	0.03448%	\$ 511,423	\$ 6,399,383	7.99%	51.22%
2017	0.03526%	517,439	6,349,095	8.15%	48.86%

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

Town of Wytheville, Virginia
Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2017 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	\$ 35,466	\$ 35,466	- \$	6,817,573	0.52%
2018	33,277	33,277	-	6,399,383	0.52%
2017	33,015	33,015	-	6,349,095	0.52%

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

Town of Wytheville, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2019

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

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Town of Wytheville, Virginia
 Schedule of Employer's Share of Net LODA OPEB Liability
 Line of Duty Act (LODA) Program
 For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered- Employee Payroll * (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2018	0.2211% \$	693,000 \$	N/A	N/A	0.60%
2017	0.2249%	591,000	N/A	N/A	1.30%

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.

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

Town of Wytheville, Virginia
 Schedule of Employer Contributions
 Line of Duty Act (LODA) Program
 For the Years Ended June 30, 2017 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll * (4)	Contributions as a % of Covered - Employee Payroll (5)
2019	\$ 24,349	\$ 24,349	-	N/A	N/A
2018	23,546	23,546	-	N/A	N/A
2017	24,255	24,255	-	N/A	N/A

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan.

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only three years of data is available. However, additional years will be included as they become available.

Town of Wytheville, Virginia
 Notes to Required Supplementary Information
 Line of Duty Act (LODA) Program
 For the Year Ended June 30, 2019

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

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

Employees in the Largest Ten Locality Employers with Public Safety Employees

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

Employees in the Non-Largest Ten Locality Employers with Public Safety Employees

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

Other Supplementary Information

Town of Wytheville, Virginia
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2019

	Special Revenue			Capital Projects	Total Nonmajor Governmental Funds
	Homestead Endowment Fund	Wall of Honor Fund	Total	CDBG Funds	
ASSETS					
Cash and cash equivalents	\$ 323,801	\$ 11,617	\$ 335,418	\$ 14,695	\$ 350,113
Total assets	<u>\$ 323,801</u>	<u>\$ 11,617</u>	<u>\$ 335,418</u>	<u>\$ 14,695</u>	<u>\$ 350,113</u>
FUND BALANCES					
Committed:					
Homestead Endowment	\$ 323,801	\$ -	\$ 323,801	\$ -	\$ 323,801
Wall of Honor	-	11,617	11,617	-	11,617
Assigned:					
Capital Projects	-	-	-	14,695	14,695
Total fund balances	<u>\$ 323,801</u>	<u>\$ 11,617</u>	<u>\$ 335,418</u>	<u>\$ 14,695</u>	<u>\$ 350,113</u>
Total liabilities and fund balances	<u>\$ 323,801</u>	<u>\$ 11,617</u>	<u>\$ 335,418</u>	<u>\$ 14,695</u>	<u>\$ 350,113</u>

Town of Wytheville, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue			Capital Projects	Total
	Homestead Endowment Fund	Wall of Honor Fund	Total	CDBG Funds	Nonmajor Governmental Funds
REVENUES					
Revenue from the use of money and property	\$ 1,724	\$ 65	\$ 1,789	\$ 75	\$ 1,864
Miscellaneous	8,730	1,000	9,730	1,318	11,048
Total revenues	<u>\$ 10,454</u>	<u>\$ 1,065</u>	<u>\$ 11,519</u>	<u>\$ 1,393</u>	<u>\$ 12,912</u>
EXPENDITURES					
Current:					
Health and welfare	\$ 1,493	\$ -	\$ 1,493	\$ -	\$ 1,493
Parks, recreation, and cultural	-	1,020	1,020	-	1,020
Total expenditures	<u>\$ 1,493</u>	<u>\$ 1,020</u>	<u>\$ 2,513</u>	<u>\$ -</u>	<u>\$ 2,513</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 8,961</u>	<u>\$ 45</u>	<u>\$ 9,006</u>	<u>\$ 1,393</u>	<u>\$ 10,399</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>\$ 7,065</u>	<u>\$ -</u>	<u>\$ 7,065</u>	<u>\$ -</u>	<u>\$ 7,065</u>
Net change in fund balances	\$ 16,026	\$ 45	\$ 16,071	\$ 1,393	\$ 17,464
Fund balances - beginning	307,775	11,572	319,347	13,302	332,649
Fund balances - ending	<u><u>\$ 323,801</u></u>	<u><u>\$ 11,617</u></u>	<u><u>\$ 335,418</u></u>	<u><u>\$ 14,695</u></u>	<u><u>\$ 350,113</u></u>

Town of Wytheville, Virginia
Combining Statement of Net Position
Proprietary Funds
June 30, 2019

	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 76,135	\$ 742,045	\$ 818,180
Accounts receivable, net of allowance for uncollectibles	432,347	343,269	775,616
Due from other funds	65,284	-	65,284
Total current assets	<u>\$ 573,766</u>	<u>\$ 1,085,314</u>	<u>\$ 1,659,080</u>
Noncurrent assets:			
Restricted cash, cash equivalents, and investments:			
Cash and cash equivalents	\$ 53,528	\$ -	\$ 53,528
Capital assets:			
Land	\$ 119,625	\$ 43,611	\$ 163,236
Land rights	94,838	-	94,838
Construction in progress	-	2,021,939	2,021,939
Machinery and equipment	1,774,909	896,024	2,670,933
Utility plant in service	33,627,879	22,272,329	55,900,208
Less accumulated depreciation	(22,233,591)	(18,314,894)	(40,548,485)
Total capital assets	<u>\$ 13,383,660</u>	<u>\$ 6,919,009</u>	<u>\$ 20,302,669</u>
Total noncurrent assets	<u>\$ 13,437,188</u>	<u>\$ 6,919,009</u>	<u>\$ 20,356,197</u>
Total assets	<u>\$ 14,010,954</u>	<u>\$ 8,004,323</u>	<u>\$ 22,015,277</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 17,177	\$ 17,616	\$ 34,793
OPEB related items	6,235	4,589	10,824
Pension related items	88,827	65,382	154,209
Total deferred outflows of resources	<u>\$ 112,239</u>	<u>\$ 87,587</u>	<u>\$ 199,826</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 133,375	\$ 146,573	\$ 279,948
Retainage payable	-	83,612	83,612
Accrued payroll/fringes	51,650	37,415	89,065
Accrued interest payable	27,596	37,044	64,640
Due to other funds	-	65,284	65,284
Compensated absences - current portion	65,515	57,900	123,415
Capital leases - current portion	51,376	10,158	61,534
Bonds payable - current portion	365,193	437,978	803,171
Amount due to Wythe County - current portion	102,390	-	102,390
Total current liabilities	<u>\$ 797,095</u>	<u>\$ 875,964</u>	<u>\$ 1,673,059</u>
Current liabilities payable from restricted assets:			
Customer deposits payable	\$ 53,528	\$ -	\$ 53,528
Noncurrent liabilities:			
Capital leases - net of current portion	\$ 10,524	\$ 10,541	\$ 21,065
Bonds payable - net of current portion	6,159,878	3,593,321	9,753,199
Compensated absences - net of current portion	21,838	19,300	41,138
Amount due to Wythe County - net of current portion	1,588,618	-	1,588,618
Net pension liability	212,030	153,692	365,722
Net OPEB liabilities	210,866	155,799	366,665
Total noncurrent liabilities	<u>\$ 8,203,754</u>	<u>\$ 3,932,653</u>	<u>\$ 12,136,407</u>
Total liabilities	<u>\$ 9,054,377</u>	<u>\$ 4,808,617</u>	<u>\$ 13,862,994</u>
DEFERRED INFLOWS OF RESOURCES			
OPEB related items	\$ 5,345	\$ 3,870	\$ 9,215
Pension related items	105,442	79,517	184,959
Total deferred inflows of resources	<u>\$ 110,787</u>	<u>\$ 83,387</u>	<u>\$ 194,174</u>
NET POSITION			
Net investment in capital assets	\$ 5,122,858	\$ 2,727,389	\$ 7,850,247
Unrestricted	(164,829)	472,517	307,688
Total net position	<u>\$ 4,958,029</u>	<u>\$ 3,199,906</u>	<u>\$ 8,157,935</u>

Town of Wytheville, Virginia
Combining Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 3,351,762	\$ -	\$ 3,351,762
Sewer revenues	-	2,381,487	2,381,487
Penalties	43,086	-	43,086
Miscellaneous	14,860	9	14,869
Total operating revenues	<u>\$ 3,409,708</u>	<u>\$ 2,381,496</u>	<u>\$ 5,791,204</u>
OPERATING EXPENSES			
Salaries	\$ 826,214	\$ 585,543	\$ 1,411,757
Fringe benefits	254,965	176,107	431,072
Professional services	190,484	137,116	327,600
Repair and maintenance	304,137	287,742	591,879
Operating materials and supplies	773,089	194,163	967,252
Permits, licenses and memberships	1,372	10,712	12,084
Utilities	212,074	275,638	487,712
Travel	1,984	5,733	7,717
Office supplies	4,286	1,951	6,237
Postal services	2,041	2,041	4,082
Insurance	-	14,417	14,417
Miscellaneous expenses	23,462	14,886	38,348
Depreciation	836,100	552,485	1,388,585
Total operating expenses	<u>\$ 3,430,208</u>	<u>\$ 2,258,534</u>	<u>\$ 5,688,742</u>
Operating income (loss)	<u>\$ (20,500)</u>	<u>\$ 122,962</u>	<u>\$ 102,462</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	\$ 496	\$ 3,943	\$ 4,439
Payment to NRRWA	(439,273)	-	(439,273)
Interest expense	(198,032)	(96,202)	(294,234)
Total nonoperating revenues (expenses)	<u>\$ (636,809)</u>	<u>\$ (92,259)</u>	<u>\$ (729,068)</u>
Income before transfers	<u>\$ (657,309)</u>	<u>\$ 30,703</u>	<u>\$ (626,606)</u>
Change in net position	<u>\$ (657,309)</u>	<u>\$ 30,703</u>	<u>\$ (626,606)</u>
Total net position - beginning, as restated	5,615,338	3,169,203	8,784,541
Total net position - ending	<u>\$ 4,958,029</u>	<u>\$ 3,199,906</u>	<u>\$ 8,157,935</u>

Town of Wytheville, Virginia
Combining Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 3,408,638	\$ 2,369,114	\$ 5,777,752
Payments to suppliers	(1,413,726)	(946,447)	(2,360,173)
Payments to and for employees	(968,303)	(645,819)	(1,614,122)
Net cash provided by (used for) operating activities	<u>\$ 1,026,609</u>	<u>\$ 776,848</u>	<u>\$ 1,803,457</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Payment to NRRWA	<u>\$ (439,273)</u>	<u>\$ -</u>	<u>\$ (439,273)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to capital assets	\$ (28,846)	\$ (472,873)	\$ (501,719)
Proceeds from bonds	-	346,324	346,324
Principal payments on bonds	(372,792)	(444,412)	(817,204)
Principal payments on capital lease	(90,932)	(9,789)	(100,721)
Interest payments	(223,595)	(98,919)	(322,514)
Loan payments to other localities	(109,673)	-	(109,673)
Net cash provided by (used for) capital and related financing activities	<u>\$ (825,838)</u>	<u>\$ (679,669)</u>	<u>\$ (1,505,507)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	<u>\$ 496</u>	<u>\$ 3,943</u>	<u>\$ 4,439</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ (238,006)</u>	<u>\$ 101,122</u>	<u>\$ (136,884)</u>
Cash and cash equivalents - beginning - including restricted	367,669	640,923	1,008,592
Cash and cash equivalents - ending - including restricted	<u>\$ 129,663</u>	<u>\$ 742,045</u>	<u>\$ 871,708</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	<u>\$ (20,500)</u>	<u>\$ 122,962</u>	<u>\$ 102,462</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	\$ 836,100	\$ 552,485	\$ 1,388,585
(Increase) decrease in accounts receivable	(3,036)	(12,382)	(15,418)
(Increase) decrease in items related to pension - deferred outflows	(31,761)	(24,056)	(55,817)
Increase (decrease) in compensated absences	(1,236)	11,175	9,939
Increase (decrease) in operating accounts payable	99,203	(2,048)	97,155
Increase (decrease) in items related to pension - deferred inflows	(71,376)	(38,425)	(109,801)
Increase (decrease) in net pension liability	209,644	152,100	361,744
Increase (decrease) in accrued payroll	12,480	12,299	24,779
Increase (decrease) in OPEB liabilities	3,306	8,413	11,719
(Increase) decrease in items related to OPEB - deferred outflows	(3,146)	(2,352)	(5,498)
Increase (decrease) in items related to OPEB - deferred inflows	(5,035)	(3,323)	(8,358)
Increase (decrease) in customer deposits	1,966	-	1,966
Total adjustments	<u>\$ 1,047,109</u>	<u>\$ 653,886</u>	<u>\$ 1,700,995</u>
Net cash provided by (used for) operating activities	<u>\$ 1,026,609</u>	<u>\$ 776,848</u>	<u>\$ 1,803,457</u>

Town of Wytheville, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
June 30, 2019

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Assets				
Current Assets				
Cash and cash equivalents				
Water Services	\$ 1,369,918	\$ 2,058,970	\$ (1,947,669)	\$ 1,481,219
Cemetery Services	27,234	550	-	27,784
Total cash and cash equivalents	<u>\$ 1,397,152</u>	<u>\$ 2,059,520</u>	<u>\$ (1,947,669)</u>	<u>\$ 1,509,003</u>
Total Assets	<u><u>\$ 1,397,152</u></u>	<u><u>\$ 2,059,520</u></u>	<u><u>\$ (1,947,669)</u></u>	<u><u>\$ 1,509,003</u></u>
Liabilities				
Amounts held for New River Regional Water Authority	\$ 1,369,918	\$ 2,058,970	\$ (1,947,669)	\$ 1,481,219
Amounts held for cemetery expenditures	27,234	550	-	27,784
Total Liabilities	<u><u>\$ 1,397,152</u></u>	<u><u>\$ 2,059,520</u></u>	<u><u>\$ (1,947,669)</u></u>	<u><u>\$ 1,509,003</u></u>

Supporting Schedules

Town of Wytheville, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 1,235,000	\$ 1,235,000	\$ 1,285,092	\$ 50,092
Real and personal public service corporation taxes	59,000	59,000	62,979	3,979
Personal property taxes	146,500	146,500	165,772	19,272
Mobile home taxes	1,200	1,200	1,637	437
Machinery and tools taxes	90,000	90,000	123,422	33,422
Penalties	7,000	7,000	11,696	4,696
Interest	5,000	5,000	10,443	5,443
Total general property taxes	<u>\$ 1,543,700</u>	<u>\$ 1,543,700</u>	<u>\$ 1,661,041</u>	<u>\$ 117,341</u>
Other local taxes:				
Local sales and use taxes	\$ 565,000	\$ 565,000	\$ 608,917	\$ 43,917
Consumers' utility taxes	235,000	235,000	238,097	3,097
Consumption taxes	52,000	52,000	51,751	(249)
Business license taxes	1,210,000	1,210,000	1,361,813	151,813
Motor vehicle licenses	100,000	100,000	97,375	(2,625)
Tobacco tax	200,000	200,000	189,853	(10,147)
Bank stock taxes	325,000	325,000	425,218	100,218
Hotel and motel room taxes	1,500,000	1,500,000	1,502,331	2,331
Restaurant food taxes	2,900,000	2,900,000	3,157,233	257,233
Interest on local taxes	22,000	22,000	22,697	697
Total other local taxes	<u>\$ 7,109,000</u>	<u>\$ 7,109,000</u>	<u>\$ 7,655,285</u>	<u>\$ 546,285</u>
Permits, privilege fees, and regulatory licenses:				
Land use permits	\$ 500	\$ 500	\$ 21	\$ (479)
Building permits	24,000	24,000	29,507	5,507
Electrical permits	5,000	5,000	10,965	5,965
Plumbing permits	4,000	4,000	7,013	3,013
Mechanical permits	5,500	5,500	10,521	5,021
Burial permits	35,000	35,000	35,330	330
Monument permits	1,200	1,200	1,090	(110)
Subdivision permits	200	200	1,445	1,245
Zoning permits	500	500	2,216	1,716
Refuse tags and disposal permits	83,000	83,000	94,535	11,535
Permits and other licenses	1,200	1,200	12,008	10,808
Total permits, privilege fees, and regulatory licenses	<u>\$ 160,100</u>	<u>\$ 160,100</u>	<u>\$ 204,651</u>	<u>\$ 44,551</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 31,000	\$ 31,000	\$ 41,783	\$ 10,783
Parking fines	55,000	55,000	41,912	(13,088)
Total fines and forfeitures	<u>\$ 86,000</u>	<u>\$ 86,000</u>	<u>\$ 83,695</u>	<u>\$ (2,305)</u>

Town of Wytheville, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 272,000	\$ 272,000	\$ 368,171	\$ 96,171
Revenue from use of property	99,500	99,500	67,516	(31,984)
Total revenue from use of money and property	<u>\$ 371,500</u>	<u>\$ 371,500</u>	<u>\$ 435,687</u>	<u>\$ 64,187</u>
Charges for services:				
Charges for fire services	\$ 10,000	\$ 10,000	\$ 21,480	\$ 11,480
Charges for law enforcement	12,000	12,000	6,092	(5,908)
Charges for cemetery plots	28,000	28,000	26,213	(1,787)
Charges for copies	2,000	2,000	2,370	370
Charges for animal control	100	100	258	158
Charges for gift shop	21,500	21,500	18,160	(3,340)
Charges for admissions	58,300	58,300	74,179	15,879
Charges for parks and recreation	830,605	830,605	778,708	(51,897)
Charges for weed cutting	14,500	14,500	17,384	2,884
Charges for other services	10,925	10,925	19,996	9,071
Total charges for services	<u>\$ 987,930</u>	<u>\$ 987,930</u>	<u>\$ 964,840</u>	<u>\$ (23,090)</u>
Miscellaneous:				
Donations	\$ 54,700	\$ 54,700	\$ 36,133	\$ (18,567)
Miscellaneous	541,010	541,010	586,866	45,856
Virginia tourism grant	-	-	70,942	70,942
Total miscellaneous	<u>\$ 595,710</u>	<u>\$ 595,710</u>	<u>\$ 693,941</u>	<u>\$ 98,231</u>
Recovered costs:				
Recovered costs	\$ 142,285	\$ 142,285	\$ 130,445	\$ (11,840)
Total revenue from local sources	<u>\$ 10,996,225</u>	<u>\$ 10,996,225</u>	<u>\$ 11,829,585</u>	<u>\$ 833,360</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 10,000	\$ 10,000	\$ 9,757	\$ (243)
Mobile home titling tax	2,500	2,500	3,543	1,043
ATV sales tax	-	-	192	192
Motor vehicle rental tax	45,000	45,000	58,001	13,001
Telecommunication tax	400,000	400,000	362,130	(37,870)
Personal property tax relief funds	61,000	61,000	61,076	76
Total noncategorical aid	<u>\$ 518,500</u>	<u>\$ 518,500</u>	<u>\$ 494,699</u>	<u>\$ (23,801)</u>

Town of Wytheville, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Department of technology (E-911)	\$ 40,000	\$ 40,000	\$ -	\$ (40,000)
Fire programs	25,000	25,000	28,421	3,421
Highway maintenance	3,350,000	3,350,000	3,291,714	(58,286)
Law enforcement block grant	188,500	188,500	201,780	13,280
Litter control	3,400	3,400	3,392	(8)
Virginia commission for the arts	5,000	5,000	4,500	(500)
Total categorical aid	<u>\$ 3,611,900</u>	<u>\$ 3,611,900</u>	<u>\$ 3,529,807</u>	<u>\$ (82,093)</u>
Total revenue from the Commonwealth	<u>\$ 4,130,400</u>	<u>\$ 4,130,400</u>	<u>\$ 4,024,506</u>	<u>\$ (105,894)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 8,880	\$ 8,880	\$ 8,882	\$ 2
Categorical aid:				
DMV ground transportation safety grant	\$ 24,000	\$ 24,000	\$ 6,372	\$ (17,628)
DOT TEA 21 grant-Heritage Walk	430,000	430,000	-	(430,000)
DOT TEA 21 grant-Historic Truss	130,000	130,000	-	(130,000)
Total categorical aid	<u>\$ 584,000</u>	<u>\$ 584,000</u>	<u>\$ 6,372</u>	<u>\$ (577,628)</u>
Total revenue from the federal government	<u>\$ 592,880</u>	<u>\$ 592,880</u>	<u>\$ 15,254</u>	<u>\$ (577,626)</u>
Total General Fund	<u><u>\$ 15,719,505</u></u>	<u><u>\$ 15,719,505</u></u>	<u><u>\$ 15,869,345</u></u>	<u><u>\$ 149,840</u></u>
Special Revenue Funds:				
Homestead Endowment Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,724	\$ 1,724
Miscellaneous:				
Contributions	\$ -	\$ -	\$ 8,730	\$ 8,730
Total Homestead Endowment Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,454</u>	<u>\$ 10,454</u>
Wall of Honor Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 100	\$ 100	\$ 65	\$ (35)

Town of Wytheville, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Miscellaneous:				
Contributions	\$ 1,900	\$ 1,900	\$ 1,000	\$ (900)
Total Wall of Honor Fund	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 1,065</u>	<u>\$ (935)</u>
Capital Projects Fund:				
CDBG Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 75	\$ 75
Miscellaneous:				
Contributions	\$ -	\$ -	\$ 1,318	\$ 1,318
Total CDBG Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,393</u>	<u>\$ 1,393</u>
Total Primary Government	<u>\$ 15,721,505</u>	<u>\$ 15,721,505</u>	<u>\$ 15,882,257</u>	<u>\$ 160,752</u>

Town of Wytheville, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Town council	\$ 1,461,375	\$ 2,214,375	\$ 2,220,186	\$ (5,811)
General and financial administration:				
Town clerk	\$ 269,225	\$ 270,925	\$ 272,112	\$ (1,187)
Commission member	10,340	7,590	5,840	1,750
Town manager	169,105	169,105	165,468	3,637
Assistant town manager	291,485	271,485	269,178	2,307
Legal services	106,090	106,090	103,746	2,344
Independent services	50,000	54,000	54,000	-
Town treasurer	280,390	269,390	273,571	(4,181)
Automotive/motor pool	258,050	290,050	286,917	3,133
Engineering department	1,867,815	1,592,815	2,044,734	(451,919)
Human resources	210,735	159,735	157,351	2,384
Computer operations	325,675	300,675	295,950	4,725
Total general and financial administration	<u>\$ 3,838,910</u>	<u>\$ 3,491,860</u>	<u>\$ 3,928,867</u>	<u>\$ (437,007)</u>
Total general government administration	<u>\$ 5,300,285</u>	<u>\$ 5,706,235</u>	<u>\$ 6,149,053</u>	<u>\$ (442,818)</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 2,737,775	\$ 2,543,775	\$ 2,393,684	\$ 150,091
Fire and rescue services:				
Fire department	\$ 757,275	\$ 1,267,275	\$ 1,301,426	\$ (34,151)
Inspections:				
Building	\$ 87,550	\$ 99,050	\$ 98,988	\$ 62
Other protection:				
Animal control	\$ 71,262	\$ 71,262	\$ 68,892	\$ 2,370
Transportation study grant	35,744	35,744	35,744	-
Total other protection	<u>\$ 107,006</u>	<u>\$ 107,006</u>	<u>\$ 104,636</u>	<u>\$ 2,370</u>
Total public safety	<u>\$ 3,689,606</u>	<u>\$ 4,017,106</u>	<u>\$ 3,898,734</u>	<u>\$ 118,372</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 1,542,705	\$ 1,941,705	\$ 1,899,441	\$ 42,264
Snow and ice removal	117,965	117,965	100,920	17,045
Streets, signs, and lights	566,730	501,730	464,231	37,499
Administration	91,207	118,207	118,630	(423)
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 2,318,607</u>	<u>\$ 2,679,607</u>	<u>\$ 2,583,222</u>	<u>\$ 96,385</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 260,835	\$ 294,335	\$ 282,791	\$ 11,544

Town of Wytheville, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public works: (Continued)				
Maintenance of general buildings and grounds:				
General properties	\$ 205,010	\$ 205,010	\$ 163,803	\$ 41,207
Town hall	243,355	243,355	236,702	6,653
Community center and park	608,915	649,915	586,825	63,090
Parks	85,415	85,415	55,011	30,404
Emergency services buildings	46,500	49,550	50,407	(857)
Animal shelter	2,800	2,800	2,192	608
Weed control - mowing	180,180	180,180	171,640	8,540
Downtown main	75,000	324,000	14,670	309,330
Total maintenance of general buildings and grounds	\$ 1,447,175	\$ 1,740,225	\$ 1,281,250	\$ 458,975
Total public works	\$ 4,026,617	\$ 4,714,167	\$ 4,147,263	\$ 566,904
Health and welfare:				
Welfare:				
Tax relief for the elderly	\$ 9,100	\$ 10,600	\$ 10,598	\$ 2
Parks, recreation, and cultural:				
Parks and recreation:				
Community activities	\$ 10,765	\$ 10,765	\$ 5,774	\$ 4,991
Recreational programs	760,180	644,680	627,544	17,136
Swimming pools	10,500	10,500	410	10,090
Athletic programs	486,432	425,432	396,908	28,524
New community programs	137,105	146,605	149,783	(3,178)
Youth/Teen center	132,555	132,555	126,261	6,294
Fitness center	263,597	263,597	223,308	40,289
Nutrition	44,190	44,190	33,003	11,187
Cemeteries	309,005	310,005	312,512	(2,507)
Total parks and recreation	\$ 2,154,329	\$ 1,988,329	\$ 1,875,503	\$ 112,826
Cultural enrichment:				
E. Lee Trinkle visitor center	\$ 81,730	\$ 81,730	\$ 66,991	\$ 14,739
Museums and heritage education	148,081	180,081	175,039	5,042
Homestead museum	51,565	59,465	46,552	12,913
Museums and Heritage Center	344,356	310,856	317,641	(6,785)
Total cultural enrichment	\$ 625,732	\$ 632,132	\$ 606,223	\$ 25,909
Total parks, recreation, and cultural	\$ 2,780,061	\$ 2,620,461	\$ 2,481,726	\$ 138,735
Community development:				
Planning and community development:				
Director of public information	\$ 593,235	\$ 674,235	\$ 659,972	\$ 14,263
Chamber of commerce	190,630	191,630	176,291	15,339
Horticulture	264,596	316,096	322,959	(6,863)
Meeting Center	727,280	738,780	737,817	963
Joint IDA	229,315	229,315	230,055	(740)
Other community development	7,000	7,000	9,844	(2,844)
Total planning and community development	\$ 2,012,056	\$ 2,157,056	\$ 2,136,938	\$ 20,118
Total community development	\$ 2,012,056	\$ 2,157,056	\$ 2,136,938	\$ 20,118

Town of Wytheville, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (continued)				
Debt service:				
Principal retirement	\$ 670,276	\$ 790,276	\$ 790,267	\$ 9
Interest and other fiscal charges	263,999	263,999	263,999	-
Total debt service	<u>\$ 934,275</u>	<u>\$ 1,054,275</u>	<u>\$ 1,054,266</u>	<u>\$ 9</u>
Total General Fund	<u>\$ 18,752,000</u>	<u>\$ 20,279,900</u>	<u>\$ 19,878,578</u>	<u>\$ 401,322</u>
Homestead Endowment Fund:				
Health and welfare:				
Welfare and social services:				
Other welfare	\$ -	\$ 5,000	\$ 1,493	\$ 3,507
Total Homestead Endowment Fund	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 1,493</u>	<u>\$ 3,507</u>
Wall of Honor Fund:				
Parks, recreation, and cultural:				
Parks and recreation:				
Other parks and recreation	\$ 2,000	\$ 2,000	\$ 1,020	\$ 980
Total Wall of Honor Fund	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 1,020</u>	<u>\$ 980</u>
Total Primary Government	<u>\$ 18,754,000</u>	<u>\$ 20,286,900</u>	<u>\$ 19,881,091</u>	<u>\$ 405,809</u>

Other Statistical Information

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

Fiscal Year	General Government Administration		Public Safety	Public Works	Health and Welfare	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Water and Sewer	Total
2009-10	\$ 1,753,803	\$ 2,741,033	\$ 3,607,367	\$ 7,426	\$ 1,905,998	\$ 842,390	\$ 637,665	\$ 5,849,682	\$ 17,345,364	
2010-11	2,072,793	3,088,094	3,187,840	7,051	1,967,550	874,542	617,794	5,667,829	17,483,493	
2011-12	1,810,037	3,040,482	4,376,870	16,195	1,838,014	1,331,548	592,141	5,394,734	18,400,021	
2012-13	1,702,254	2,961,351	3,918,545	8,807	1,692,012	999,776	587,355	5,111,728	16,981,828	
2013-14	2,147,851	3,252,873	3,792,477	19,491	1,852,475	944,160	569,975	5,607,196	18,186,498	
2014-15	2,303,026	2,987,472	5,455,338	8,908	1,571,477	1,040,880	500,008	5,980,816	19,847,925	
2015-16	2,354,593	3,327,511	4,131,591	12,030	1,910,471	1,500,540	302,612	5,730,156	19,269,504	
2016-17	2,743,252	3,302,604	4,062,403	22,725	2,194,598	1,877,460	275,829	5,957,077	20,435,948	
2017-18	4,231,146	3,086,007	3,484,224	29,813	2,109,544	1,569,297	260,971	571,998	20,490,800	
2018-19	4,595,077	3,835,305	3,728,163	12,091	2,524,509	2,177,391	262,310	6,422,249	23,557,095	

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Fines and Forfeitures	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2009-10	\$ 5,912,685	\$ 2,345,899	\$ -	\$ 1,638,257	\$ 5,479,318	-	-	\$ 521,621	\$ 384,756	\$ 557,392	\$ 16,839,928
2010-11	5,954,107	2,488,479	52,478	1,630,380	5,637,844	-	-	506,198	523,468	550,766	17,343,720
2011-12	6,218,235	2,932,482	40,438	1,622,277	5,986,032	-	-	527,647	365,800	559,751	18,252,662
2012-13	6,789,034	2,732,334	1,833,565	1,627,185	6,208,331	-	-	542,179	522,726	581,813	20,837,167
2013-14	7,550,641	2,579,105	979,719	1,665,019	6,202,798	-	-	604,434	491,749	547,331	20,620,796
2014-15	7,616,718	3,554,077	199,021	1,627,470	6,499,216	-	-	603,899	822,008	564,702	21,487,111
2015-16	7,501,711	2,817,979	-	1,616,235	7,199,660	-	-	482,476	582,349	545,917	20,746,327
2016-17	7,556,643	2,855,571	1,145,672	1,638,042	7,240,639	-	-	439,097	564,510	534,059	21,974,233
2017-18	7,580,115	3,716,945	1,355,173	1,658,265	7,563,853	-	-	348,902	824,648	520,506	21,974,233
2018-19	7,029,521	3,536,179	-	1,646,203	7,655,285	-	-	442,257	719,858	503,581	21,532,884

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

Fiscal Year	General Government Administration		Public Safety	Public Works	Health and Welfare	Parks, Recreation, and Cultural	Community Development	Capital Projects	Debt Service (2)	Total
	General Government	Administration								
2009-10	\$ 1,670,058	\$ 2,754,738	\$ 3,103,138	\$ 7,426	\$ 1,868,294	\$ 836,689	\$ -	\$ 1,152,918	\$ 11,393,261	
2010-11	2,017,959	2,785,249	2,973,737	7,051	1,936,379	867,113	4,157	1,014,858	11,606,503	
2011-12	2,223,202	3,124,985	3,575,532	16,195	1,835,729	1,327,752	-	1,899,341	14,002,736	
2012-13	2,082,596	2,863,559	3,695,603	8,807	1,797,413	998,600	-	927,507	12,374,085	
2013-14	2,134,947	3,103,246	3,614,022	19,491	1,819,596	1,031,604	-	950,653	12,673,559	
2014-15	2,266,529	3,191,488	5,453,063	8,908	1,858,118	1,146,408	-	822,079	14,746,593	
2015-16	2,432,241	3,570,609	3,874,426	12,030	2,030,196	1,587,504	11,170	957,917	14,476,093	
2016-17	3,160,117	3,361,978	6,894,190	22,725	2,350,098	1,896,383	-	973,105	18,658,596	
2017-18	4,798,584	3,351,790	5,998,085	29,813	2,149,288	1,768,125	-	970,332	19,066,017	
2018-19	6,149,053	3,898,734	4,147,263	12,091	2,482,746	2,136,938	-	1,054,266	19,881,091	

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

(2) 2015-16 excludes refunding of \$2,468,148.

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2009-10	\$ 1,618,701	\$ 5,479,318	\$ 131,545	\$ 48,018	\$ 521,621	\$ 1,088,555	\$ 384,756	\$ 16,581	\$ 2,903,291	\$ 12,192,386
2010-11	1,606,847	5,637,844	135,442	51,880	504,623	1,099,982	523,464	39,138	3,089,245	12,688,465
2011-12	1,584,011	5,986,032	130,591	56,260	525,249	1,088,954	363,895	32,358	3,492,233	13,259,583
2012-13	1,674,623	6,208,331	170,403	73,162	535,959	1,027,034	447,629	198,802	3,538,347	13,874,290
2013-14	1,632,845	6,202,798	171,230	133,465	591,836	1,094,213	479,789	150,713	3,154,981	13,611,870
2014-15	1,615,505	6,499,216	174,168	163,717	587,193	1,016,123	821,008	92,334	4,168,779	15,138,043
2015-16	1,653,110	7,199,660	185,211	135,324	467,000	987,041	545,488	120,747	3,363,896	14,657,477
2016-17	1,598,818	7,240,639	168,601	107,393	427,944	999,650	564,510	121,527	4,515,302	15,744,384
2017-18	1,674,316	7,563,853	208,285	76,207	343,545	1,030,103	789,085	140,274	5,572,624	17,398,292
2018-19	1,661,041	7,655,285	204,651	83,695	437,551	964,840	704,989	130,445	4,039,760	15,882,257

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

Table 5

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

Fiscal Year	Total Tax Levy (1,3)	Current Tax Collections (1,3)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2009-10	\$ 1,677,626	\$ 1,645,525	98.09%	\$ 17,735	\$ 1,663,260	99.14%	\$ 79,785	4.76%
2010-11	1,670,817	1,621,867	97.07%	25,899	1,647,766	98.62%	93,082	5.57%
2011-12	1,668,570	1,613,883	96.72%	19,586	1,633,469	97.90%	128,486	7.70%
2012-13	1,668,534	1,627,494	97.54%	76,026	1,703,520	102.10%	85,090	5.10%
2013-14	1,677,066	1,644,830	98.08%	30,268	1,675,098	99.88%	99,267	5.92%
2014-15	1,659,935	1,621,452	97.68%	33,077	1,654,529	99.67%	96,796	5.83%
2015-16	1,667,267	1,630,343	97.79%	55,772	1,686,115	101.13%	101,512	6.09%
2016-17	1,659,382	1,610,321	97.04%	28,308	1,638,629	98.75%	112,898	6.80%
2017-18	1,677,878	1,646,162	98.11%	52,725	1,698,887	101.25%	95,914	5.72%
2018-19	1,697,479	1,660,951	97.85%	39,027	1,699,978	100.15%	91,441	5.39%

(1) Exclusive of penalties and interest.

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

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

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (1)	Public Utility (2)		Total
			Real Estate	Personal Property	
2009-10	\$ 774,457,660	\$ 144,166,990	\$ 29,122,192	\$ 45,781	\$ 947,792,623
2010-11	780,360,645	138,668,979	27,223,533	93,702	946,346,859
2011-12	784,201,479	135,028,147	29,030,462	91,414	948,351,502
2012-13	778,870,700	136,520,057	31,842,008	106,972	947,339,737
2013-14	784,643,550	111,612,912	34,148,370	150,824	930,555,656
2014-15	784,334,286	125,978,204	34,852,734	110,210	945,275,434
2015-16	787,945,100	125,323,183	36,368,230	117,642	949,754,155
2016-17	788,739,181	120,809,089	37,766,390	113,017	947,427,677
2017-18	819,838,675	119,522,050	39,192,998	236,787	978,790,510
2018-19	827,294,409	126,212,102	40,090,579	299,690	993,896,780

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

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

Table 7

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

Fiscal Year	Real Estate	Personal Property	Public Utility	
			Real Estate	Personal Property
2009-10	\$ 0.160	\$ 0.280	\$ 0.160	\$ 0.280
2010-11	0.160	0.280	0.160	0.280
2011-12	0.160	0.280	0.160	0.280
2012-13	0.160	0.280	0.160	0.280
2013-14	0.160	0.280	0.160	0.280
2014-15	0.160	0.280	0.160	0.280
2015-16	0.160	0.280	0.160	0.280
2016-17	0.160	0.280	0.160	0.280
2017-18	0.155	0.280	0.155	0.280
2018-19	0.155	0.280	0.155	0.280

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2009-10	7,804	\$ 947,793	\$ 23,202,621	2.45%	\$ 2,973
2010-11	8,211	946,347	22,390,991	2.37%	2,727
2011-12	8,211	948,352	21,636,125	2.28%	2,635
2012-13	8,211	947,340	21,493,275	2.27%	2,618
2013-14	8,211	930,556	20,847,944	2.24%	2,539
2014-15	8,211	945,275	25,905,375	2.74%	3,155
2015-16	8,211	949,754	24,629,729	2.59%	3,000
2016-17	8,211	947,428	23,252,373	2.45%	2,832
2017-18	8,211	978,791	21,844,211	2.23%	2,660
2018-19	8,211	993,897	20,824,559	2.10%	2,536

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

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

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans.

Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, compensated absences, net pension liability, and OPEB.

Table 9

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

Fiscal Year	Principal (2)	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2009-10	\$ 512,937	\$ 639,981	\$ 1,152,918	\$ 11,393,261	10.12%
2010-11	396,490	618,368	1,014,858	11,606,503	8.74%
2011-12	1,306,243	593,098	1,899,341	14,002,736	13.56%
2012-13	341,815	585,692	927,507	12,374,085	7.50%
2013-14	379,544	571,109	950,653	12,673,559	7.50%
2014-15	393,322	428,757	822,079	14,751,413	5.57%
2015-16	648,406	309,511	957,917	16,944,241	5.65%
2016-17	693,032	280,073	973,105	18,658,596	5.22%
2017-18	705,803	264,529	970,332	19,066,017	5.09%
2018-19	790,267	263,999	1,054,266	19,881,091	5.30%

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

(2) 2015-16 excludes refunding amount of \$2,468,148.

Town of Wytheville, Virginia
 Computation of Legal Debt Margin
 June 30, 2019

Assessed valuations:		
Assessed value (real estate)		<u>\$ 827,294,409</u>
Legal debt margin		
Debt limitation - 10 percent of total assessed value		\$ 82,729,441
Debt applicable to limitation:		
Net bonded debt	<u>(20,824,559)</u>	
Total debt applicable to limitation		<u>(20,824,559)</u>
Legal debt margin		<u>\$ 61,904,882</u>

Compliance



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wytheville, Virginia's as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Wytheville, Virginia's basic financial statements and have issued our report thereon dated November 5, 2019.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Wytheville, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items [2019-001].

Town of Wytheville, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Finner, Cox Associates

Blacksburg, Virginia
November 5, 2019

Town of Wytheville, Virginia
 Schedule of Findings and Responses
 For the Year Ended June 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes

Section II - Financial Statement Findings

2019-001

Criteria:	The Town should maintain records to prove amounts included in the annual Weldon Cooper Center Local Finance Survey were used to maintain eligible streets as defined in the Urban Manual.
Condition:	The Town does not maintain detailed records that would allow us to properly perform tests of amount included in the Survey.
Context:	Daily logs are not kept of work performed.
Cause of Condition:	The Town has indicated they do not have staffing available to keep up with daily logs.
Effect of Condition:	It is difficult to determine if the state funding is used appropriately.
Recommendation:	The Town should begin tracking all work on a daily basis in accordance with the Urban Manual.
Management's Response:	Management is working towards having a system in place that will track costs by eligible roads. Management believes records should allow testing during fiscal year 2020.

Section III - Status of Prior Audit Findings and Questioned Costs

Finding 2018-001 and was recurring in fiscal year 2019 as 2019-001.