

TOWN OF WYTHEVILLE, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

TOWN OF WYTHEVILLE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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TOWN OF WYTHEVILLE, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018

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INTRODUCTORY SECTION

TOWN OF WYTHEVILLE, VIRGINIA

TOWN COUNCIL

Trenton G. Crewe, Jr., Mayor
Jacqueline K. King, Vice-Mayor
Thomas F. Hundley
Joseph E. Hand, Jr.
Beth A. Taylor

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

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wytheville, Virginia, as of and for the year ended June 30, 2018, 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, 2018, 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 Principles

As described in Note 21 to the financial statements, in 2018, the Town adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 21 to the financial statements, in 2018, the Town restated beginning balances to reflect the requirements of GASB Statement No. 75. 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 90 and 91-102 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, 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 (CFR) 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 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 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 25, 2018, on our consideration of the Town of Wytheville, Virginia 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 the 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 internal control over financial reporting and compliance.

Robinson, Finner, Cox Associates
Blacksburg, Virginia
November 25, 2018

Basic Financial Statements

Town of Wytheville, Virginia
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 16,906,710	\$ 957,030	\$ 17,863,740
Receivables (net of allowance for uncollectibles):			
Taxes receivable	90,240	-	90,240
Accounts receivable	581,365	760,198	1,341,563
Due from other governmental units	679,045	-	679,045
Prepaid items	9,275	-	9,275
Noncurrent assets:			
Restricted cash, cash equivalents, and investments:			
Cash and cash equivalents	42,234	51,562	93,796
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	16,056,677	17,839,211	33,895,888
Machinery and equipment	1,760,505	554,373	2,314,878
Construction in progress	6,086,885	2,408,215	8,495,100
Total assets	\$ 43,785,214	\$ 22,828,663	\$ 66,613,877
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 8,401	\$ 38,272	\$ 46,673
Pension related items	517,170	98,392	615,562
OPEB related items	95,497	5,326	100,823
Total deferred outflows of resources	\$ 621,068	\$ 141,990	\$ 763,058
LIABILITIES			
Accounts payable	\$ 942,033	\$ 71,935	\$ 1,013,968
Accrued payroll/fringes	355,690	64,286	419,976
Customer deposits	43,011	-	43,011
Retainage payable	112,704	64,808	177,512
Accrued interest payable	70,563	96,399	166,962
Long-term liabilities:			
Due within one year	1,510,450	1,143,596	2,654,046
Due in more than one year	13,913,832	12,381,193	26,295,025
Liabilities payable from restricted assets	-	51,562	51,562
Total liabilities	\$ 16,948,283	\$ 13,873,779	\$ 30,822,062
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 9,002	\$ -	\$ 9,002
Pension related items	1,476,477	294,760	1,771,237
OPEB related items	152,513	17,573	170,086
Total deferred inflows of resources	\$ 1,637,992	\$ 312,333	\$ 1,950,325
NET POSITION			
Net investment in capital assets	\$ 13,666,755	\$ 8,022,086	\$ 21,688,841
Unrestricted	12,153,252	762,455	12,915,707
Total net position	\$ 25,820,007	\$ 8,784,541	\$ 34,604,548

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, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government	
			Grants and Contributions	Capital Grants and Contributions		Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 4,231,146	\$ 15,429	\$ -	\$ 573,309	\$ (3,642,408)	\$ -	\$ (3,642,408)
Public safety	3,086,007	179,759	295,674	-	(2,610,574)	-	(2,610,574)
Public works	3,484,224	112,013	3,331,771	761,864	721,424	-	721,424
Health and welfare	29,813	-	-	-	(29,813)	-	(29,813)
Parks, recreation, and cultural	2,109,544	1,002,856	4,500	-	(1,102,188)	-	(1,102,188)
Community development	1,569,297	4,538	85,000	-	(1,479,759)	-	(1,479,759)
Interest on long-term debt	260,971	-	-	-	(260,971)	-	(260,971)
Total governmental activities	\$ 14,771,002	\$ 1,314,595	\$ 3,716,945	\$ 1,335,173	\$ (8,404,289)	\$ -	\$ (8,404,289)
Business-type activities:							
Water and sewer	\$ 5,719,798	\$ 6,265,520	\$ -	\$ 20,000	\$ -	\$ 565,722	\$ 565,722
Total primary government	\$ 20,490,800	\$ 7,580,115	\$ 3,716,945	\$ 1,355,173	\$ (8,404,289)	\$ 565,722	\$ (7,838,567)
General revenues:							
General property taxes					\$ 1,658,265	\$ -	\$ 1,658,265
Local sales and use taxes					625,971	-	625,971
Consumers' utility taxes					239,733	-	239,733
Business license taxes					1,283,603	-	1,283,603
Bank stock taxes					406,121	-	406,121
Hotel and motel room taxes					1,534,331	-	1,534,331
Restaurant food taxes					3,055,253	-	3,055,253
Tobacco tax					223,041	-	223,041
Other local taxes					195,800	-	195,800
Unrestricted revenues from use of money and property					346,348	2,554	348,902
Miscellaneous					789,085	35,563	824,648
Grants and contributions not restricted to specific programs					520,506	-	520,506
Transfers					(312,173)	312,173	-
Total general revenues and transfers					\$ 10,565,884	\$ 350,290	\$ 10,916,174
Change in net position					\$ 2,161,595	\$ 916,012	\$ 3,077,607
Net position - beginning, as restated					23,658,412	7,868,529	31,526,941
Net position - ending					\$ 25,820,007	\$ 8,784,541	\$ 34,604,548

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

Town of Wytheville, Virginia
Balance Sheet
Governmental Funds
June 30, 2018

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 16,571,123	\$ 335,587	\$ 16,906,710
Receivables (net of allowance for uncollectibles):			
Taxes receivable	90,240	-	90,240
Accounts receivable	581,365	-	581,365
Due from other governmental units	679,045	-	679,045
Prepaid items	9,275	-	9,275
Total assets	<u>\$ 17,931,048</u>	<u>\$ 335,587</u>	<u>\$ 18,266,635</u>
LIABILITIES			
Accounts payable	\$ 939,095	\$ 2,938	\$ 942,033
Accrued wages	355,690	-	355,690
Customer deposits	43,011	-	43,011
Retainage payable	112,704	-	112,704
Total liabilities	<u>\$ 1,450,500</u>	<u>\$ 2,938</u>	<u>\$ 1,453,438</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 114,988	\$ -	\$ 114,988
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	-	319,347	319,347
Assigned:			
Capital projects funds	2,500,000	13,302	2,513,302
IDA project	600,000	-	600,000
Unassigned	2,256,285	-	2,256,285
Total fund balances	<u>\$ 16,365,560</u>	<u>\$ 332,649</u>	<u>\$ 16,698,209</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,931,048</u>	<u>\$ 335,587</u>	<u>\$ 18,266,635</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, 2018

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 16,698,209
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	16,056,677	
Machinery and equipment	1,760,505	
Construction in progress	<u>6,086,885</u>	25,476,345
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		105,986
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$ 517,170	
OPEB related items	<u>95,497</u>	612,667
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.		
		42,234
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	\$ (10,816,961)	
Less deferred charge on refunding	8,401	
Compensated absences	(1,102,757)	
Capital leases	(320,182)	
Landfill accrued closure/post-closure costs	(725,715)	
Accrued interest payable	(70,563)	
Net OPEB liabilities	(2,438,498)	
Net pension liability	<u>(20,169)</u>	(15,486,444)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (1,476,477)	
OPEB related items	<u>(152,513)</u>	(1,628,990)
Net position of governmental activities		<u>\$ 25,820,007</u>

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, 2018

	<u>General</u>	Other Governmental <u>Funds</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 1,674,316	\$ -	\$ 1,674,316
Other local taxes	7,563,853	-	7,563,853
Permits, privilege fees, and regulatory licenses	208,285	-	208,285
Fines and forfeitures	76,207	-	76,207
Revenue from the use of money and property	341,916	1,629	343,545
Charges for services	1,030,103	-	1,030,103
Miscellaneous	782,684	6,401	789,085
Recovered costs	140,274	-	140,274
Intergovernmental:			
Commonwealth	4,202,957	-	4,202,957
Federal	1,369,667	-	1,369,667
Total revenues	<u>\$ 17,390,262</u>	<u>\$ 8,030</u>	<u>\$ 17,398,292</u>
EXPENDITURES			
Current:			
General government administration	\$ 4,798,584	\$ -	\$ 4,798,584
Public safety	3,351,790	-	3,351,790
Public works	5,998,085	-	5,998,085
Health and welfare	9,040	20,773	29,813
Parks, recreation, and cultural	2,148,156	1,132	2,149,288
Community development	1,768,125	-	1,768,125
Debt service:			
Principal retirement	705,803	-	705,803
Interest and other fiscal charges	264,529	-	264,529
Total expenditures	<u>\$ 19,044,112</u>	<u>\$ 21,905</u>	<u>\$ 19,066,017</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,653,850)</u>	<u>\$ (13,875)</u>	<u>\$ (1,667,725)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 566,242	\$ -	\$ 566,242
Transfers out	(336,173)	-	(336,173)
Issuance of capital leases	184,206	-	184,206
Total other financing sources (uses)	<u>\$ 414,275</u>	<u>\$ -</u>	<u>\$ 414,275</u>
Net change in fund balances	\$ (1,239,575)	\$ (13,875)	\$ (1,253,450)
Fund balances - beginning, as restated	17,605,135	346,524	17,951,659
Fund balances - ending	<u>\$ 16,365,560</u>	<u>\$ 332,649</u>	<u>\$ 16,698,209</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, 2018

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

Net change in fund balances - total governmental funds \$ (1,253,450)

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	\$ 4,120,889	
Depreciation expense	(984,595)	3,136,294

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (17,809)

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		(16,051)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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	\$ (184,206)	
Change in accrued landfill closure/postclosure cost	(355,066)	
Principal repayments:		
General obligation bonds	547,324	
Capital leases	158,479	166,531

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	\$ (12,130)	
Change in accrued interest	4,322	
Amortization of deferred charge on refunding	(764)	
Pension expense	782,539	
OPEB expense	(71,948)	702,019

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.

(555,939)

Change in net position of governmental activities		<u>\$ 2,161,595</u>
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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, 2018

	Enterprise Fund	Internal Service Fund
	Major Funds	Retiree Health Insurance Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 957,030	\$ -
Accounts receivable, net of allowance for uncollectibles	760,198	-
Due from other funds	65,284	-
Total current assets	<u>\$ 1,782,512</u>	<u>\$ -</u>
Noncurrent assets:		
Restricted cash, cash equivalents, and investments:		
Cash and cash equivalents	\$ 51,562	\$ 42,234
Capital assets:		
Land	\$ 163,236	\$ -
Land rights	94,838	-
Construction in progress	2,408,215	-
Machinery and equipment	2,363,875	-
Utility plant in service	55,189,609	-
Less accumulated depreciation	(39,159,900)	-
Total capital assets	<u>\$ 21,059,873</u>	<u>\$ -</u>
Total noncurrent assets	<u>\$ 21,111,435</u>	<u>\$ 42,234</u>
Total assets	<u>\$ 22,893,947</u>	<u>\$ 42,234</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	\$ 38,272	\$ -
OPEB related items	5,326	-
Pension related items	98,392	-
Total deferred outflows of resources	<u>\$ 141,990</u>	<u>\$ -</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 71,935	\$ -
Retainage payable	64,808	-
Accrued payroll/fringes	64,286	-
Accrued interest payable	96,399	-
Due to other funds	65,284	-
Compensated absences - current portion	115,961	-
Capital leases - current portion	100,726	-
Bonds payable - current portion	817,236	-
Amount due to Wythe County - current portion	109,673	-
Total current liabilities	<u>\$ 1,506,308</u>	<u>\$ -</u>
Current liabilities payable from restricted assets:		
Customer deposits payable	\$ 51,562	\$ -
Noncurrent liabilities:		
Capital leases - net of current portion	\$ 82,594	\$ -
Bonds payable - net of current portion	10,210,014	-
Compensated absences - net of current portion	38,653	-
Amount due to Wythe County - net of current portion	1,691,008	-
Net pension liability	3,978	-
Net OPEB liabilities	354,946	-
Total noncurrent liabilities	<u>\$ 12,381,193</u>	<u>\$ -</u>
Total liabilities	<u>\$ 13,939,063</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES		
OPEB related items	\$ 17,573	\$ -
Pension related items	294,760	-
Total deferred inflows of resources	<u>\$ 312,333</u>	<u>\$ -</u>
NET POSITION		
Net investment in capital assets	\$ 8,022,086	\$ -
Unrestricted	762,455	42,234
Total net position	<u>\$ 8,784,541</u>	<u>\$ 42,234</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, 2018

	Enterprise Fund	Internal Service Fund
	<u>Major Funds</u>	<u>Retiree Health Insurance Fund</u>
OPERATING REVENUES		
Charges for services:		
Water revenues	\$ 3,283,738	\$ -
Sewer revenues	2,450,609	-
Penalties	46,019	-
Recovered costs	485,154	-
Miscellaneous	35,563	-
Total operating revenues	<u>\$ 6,301,083</u>	<u>\$ -</u>
OPERATING EXPENSES		
Salaries	\$ 1,174,435	\$ -
Fringe benefits	285,354	-
Professional services	293,078	-
Repair and maintenance	420,912	-
Operating materials and supplies	868,838	-
Permits, licenses and memberships	14,158	-
Utilities	468,498	-
Travel	4,062	-
Office supplies	3,703	-
Postal services	8,076	-
Insurance	9,900	16,500
Miscellaneous expenses	22,631	-
Depreciation	1,355,927	-
Total operating expenses	<u>\$ 4,929,572</u>	<u>\$ 16,500</u>
Operating income (loss)	<u>\$ 1,371,511</u>	<u>\$ (16,500)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	\$ 2,554	\$ 2,803
Payment to NRRWA	(434,177)	-
Interest expense	(356,049)	-
Total nonoperating revenues (expenses)	<u>\$ (787,672)</u>	<u>\$ 2,803</u>
Income before capital contributions and transfers	<u>\$ 583,839</u>	<u>\$ (13,697)</u>
Capital contributions and construction grants	\$ 20,000	\$ -
Transfers in	312,173	24,000
Transfers out	-	(566,242)
Change in net position	<u>\$ 916,012</u>	<u>\$ (555,939)</u>
Total net position - beginning, as restated	7,868,529	598,173
Total net position - ending	<u><u>\$ 8,784,541</u></u>	<u><u>\$ 42,234</u></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, 2018

	Enterprise Fund	Internal Service Fund
	<u>Major Funds</u>	<u>Retiree Health Insurance Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 6,350,822	\$ -
Payments to suppliers	(2,206,321)	-
Payments to and for employees	(1,585,115)	(16,500)
Net cash provided by (used for) operating activities	<u>\$ 2,559,386</u>	<u>\$ (16,500)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	\$ -	\$ (566,242)
Transfers from other funds	-	24,000
Payment to NRRWA	(434,177)	-
Net cash provided by (used for) noncapital financing activities	<u>\$ (434,177)</u>	<u>\$ (542,242)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to capital assets	\$ (680,673)	\$ -
Principal payments on bonds	(860,838)	-
Principal payments on capital lease	(98,391)	-
Contributions in aid of construction	20,000	-
Interest payments	(352,930)	-
Loan payments to other localities	(64,415)	-
Net cash provided by (used for) capital and related financing activities	<u>\$ (2,037,247)</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	\$ 2,554	\$ 2,803
Net cash provided by (used for) investing activities	<u>\$ 2,554</u>	<u>\$ 2,803</u>
Net increase (decrease) in cash and cash equivalents	\$ 90,516	\$ (555,939)
Cash and cash equivalents - beginning - including restricted	918,076	598,173
Cash and cash equivalents - ending - including restricted	<u>\$ 1,008,592</u>	<u>\$ 42,234</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 1,371,511	\$ (16,500)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	\$ 1,355,927	\$ -
(Increase) decrease in accounts receivable	48,024	-
(Increase) decrease in items related to pension - deferred outflows	53,372	-
Increase (decrease) in compensated absences	11,212	-
Increase (decrease) in operating accounts payable	(92,465)	-
Increase (decrease) in items related to pension - deferred inflows	172,555	-
Increase (decrease) in net pension liability	(380,836)	-
Increase (decrease) in accrued payroll	10,853	-
Increase (decrease) in OPEB liabilities	88,784	-
(Increase) decrease in items related to OPEB - deferred outflows	115	-
Increase (decrease) in items related to OPEB - deferred inflows	(81,381)	-
Increase (decrease) in customer deposits	1,715	-
Total adjustments	<u>\$ 1,187,875</u>	<u>\$ -</u>
Net cash provided by (used for) operating activities	<u>\$ 2,559,386</u>	<u>\$ (16,500)</u>

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, 2018

	<u>Agency Funds</u>		
	<u>New River Regional Water Authority</u>	<u>Memorial Fund</u>	<u>Perpetual Care Trust Fund</u>
ASSETS			
Cash and cash equivalents	\$ 1,369,918	\$ 27,234	\$ 25,880
Investments	-	-	394,962
Total assets	<u>\$ 1,369,918</u>	<u>\$ 27,234</u>	<u>\$ 420,842</u>
LIABILITIES			
Held for New River Regional Water Authority	\$ 1,369,918	\$ -	\$ -
Held for cemetery expenditures	-	27,234	-
Total liabilities	<u>\$ 1,369,918</u>	<u>\$ 27,234</u>	<u>\$ -</u>
NET POSITION			
Held in trust for cemetery expenditures			<u>\$ 420,842</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, 2018

	<u>Perpetual Care Trust Fund</u>
ADDITIONS	
Contributions:	
Town	\$ 26,595
Total contributions	<u>\$ 26,595</u>
Investment earnings:	
Interest	\$ 214
Net increase (decrease) in the fair market value of investments	(12,256)
Net investment earnings	<u>\$ (12,042)</u>
Total additions	<u>\$ 14,553</u>
DEDUCTIONS	
Expenses	<u>\$ 9,230</u>
Change in net position	\$ 5,323
Net position - beginning	415,519
Net position - ending	<u><u>\$ 420,842</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, 2018

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, 2018, the Town contributed \$434,177 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, 2018, the Town contributed \$52,541 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, 2018, the Town contributed \$28,090 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, 2018, the Town contributed \$219,047 to Joint Wythe Industrial Development Authority.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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 \$162,669 at June 30, 2018. The allowance consists of delinquent taxes in the amount of \$18,009 and delinquent water and sewer bills of \$144,660.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town 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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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

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

Committed Fund Balance Policy:

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

Assigned Fund Balance Policy:

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

Minimum Unassigned Fund Balance Policy:

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

Resource Flow Policy:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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	\$	307,775
Wall of Honor		<u>11,572</u>
Total Committed	\$	<u>319,347</u>

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 Employee Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The 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. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's 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.

Line of Duty Act Program

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. For purposes of measuring the net LODA OPEB liability, deferred outflows of resources and deferred inflows of resources related to the LODA OPEB, and related LODA OPEB expense, information about the fiduciary net position of the VRS LODA Program OPEB Plan and the additions to/deductions from the VRS LODA Program OPEB Plan's 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary information:

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

1. Prior to May 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The General fund and Water/Sewer Fund have legally adopted budgets.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. Only the Town Council can revise the appropriation for each department or category. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to 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, 2018, no fund had expenditures in excess of its appropriations.

C. Deficit fund equity:

At June 30, 2018, there were no funds with deficit fund equity.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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).

Credit Risk of Debt Securities:

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

The Town's rated debt investments as of June 30, 2018 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

Town's Rated Debt Investments' Values		
Rated Debt Investments	Fair Quality Ratings	
	AAAm	Unrated
United States Treasuries	\$ -	\$ 394,962

Interest Rate Risk:

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

Investment Type	Investment Maturities (in years)		
	Fair Value	Less 1 yr	6-10 yrs
United States Treasuries	\$ 394,962	\$ -	\$ 394,962

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 4 - FAIR VALUE MEASUREMENTS:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Town maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The Town has the following recurring fair value measurements as of June 30, 2018:

		Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment	6/30/2018			
IShares 7-10 Year Treasury Bond	\$ 394,962	\$ 394,962	\$ -	\$ -

NOTE 5 - 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.

Unavailable Revenue - Unavailable revenue representing uncollected tax billings and uncollected mowing and special assessments were not available for funding of current expenditures totaled \$83,801 and \$22,185, respectively, at June 30, 2018.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2018 but paid in advance by the taxpayers totaled \$9,002 at June 30, 2018.

TOWN OF WYTHEVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 6 - 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	\$ 111,283
Noncategorical Aid	79,975
Other Categorical Aid	284,583
Federal Government	
Categorical Aid	203,204
Total Due from Other Governmental Units	\$ 679,045

NOTE 7 - INTERFUND ACTIVITY:

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	\$ 566,242	\$ (336,173)
Homestead Endowment Fund	-	-
OPEB Fund	24,000	(566,242)
Water Fund	312,173	-
Total	\$ 902,415	\$ (902,415)

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.

Fund	Due To	Due From	Total
Water Fund	\$ -	\$ 65,284	\$ 65,284
Waste Water Fund	(65,284)	-	(65,284)

During fiscal years 2010, 2011, 2012, and 2013, the Town's General Fund loaned the Water and Sewer Fund \$1,000,000, \$932,000, \$40,400, and \$46,010, respectively. During fiscal years 2016 and 2017, \$4,878 and \$1,359, respectively of debt service was paid by the water and sewer fund on behalf of the general fund and \$1,000,000 and \$700,000, respectively, has been repaid to the general fund. The remaining balances were transferred to the General Fund at the end of fiscal year 2018.

TOWN OF WYTHEVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 8 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2018 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	3,532,986	3,539,279	(985,380)	6,086,885
Total capital assets not being depreciated	<u>\$ 5,105,264</u>	<u>\$ 3,539,279</u>	<u>\$ (985,380)</u>	<u>\$ 7,659,163</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 21,448,653	\$ 990,580	\$ -	\$ 22,439,233
Machinery and equipment	6,681,087	576,410	(102,434)	7,155,063
Total capital assets being depreciated	<u>\$ 28,129,740</u>	<u>\$ 1,566,990</u>	<u>\$ (102,434)</u>	<u>\$ 29,594,296</u>
Accumulated depreciation:				
Buildings and improvements	\$ (5,862,007)	\$ (520,549)	\$ -	\$ (6,382,556)
Machinery and equipment	(5,015,137)	(464,046)	84,625	(5,394,558)
Total accumulated depreciation	<u>\$ (10,877,144)</u>	<u>\$ (984,595)</u>	<u>\$ 84,625</u>	<u>\$ (11,777,114)</u>
Total capital assets being depreciated, net	<u>\$ 17,252,596</u>	<u>\$ 582,395</u>	<u>\$ (17,809)</u>	<u>\$ 17,817,182</u>
Governmental activities capital assets, net	<u>\$ 22,357,860</u>	<u>\$ 4,121,674</u>	<u>\$ (1,003,189)</u>	<u>\$ 25,476,345</u>

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TOWN OF WYTHEVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**NOTE 8 - CAPITAL ASSETS: (CONTINUED)**

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 163,236	\$ -	\$ -	\$ 163,236
Land rights	94,838	-	-	94,838
Construction in progress	1,970,304	437,911	-	2,408,215
Total capital assets not being depreciated	<u>\$ 2,228,378</u>	<u>\$ 437,911</u>	<u>\$ -</u>	<u>\$ 2,666,289</u>
Capital assets, being depreciated:				
Utility plant and equipment	\$ 55,189,609	\$ -	\$ -	\$ 55,189,609
Machinery and equipment	2,121,113	242,762	-	2,363,875
Total capital assets being depreciated	<u>\$ 57,310,722</u>	<u>\$ 242,762</u>	<u>\$ -</u>	<u>\$ 57,553,484</u>
Accumulated depreciation:				
Utility plant and equipment	\$ (36,150,363)	\$ (1,200,035)	\$ -	\$ (37,350,398)
Machinery and equipment	(1,653,610)	(155,892)	-	(1,809,502)
Total accumulated depreciation	<u>\$ (37,803,973)</u>	<u>\$ (1,355,927)</u>	<u>\$ -</u>	<u>\$ (39,159,900)</u>
Total capital assets being depreciated, net	<u>\$ 19,506,749</u>	<u>\$ (1,113,165)</u>	<u>\$ -</u>	<u>\$ 18,393,584</u>
Business-type activities capital assets, net	<u>\$ 21,735,127</u>	<u>\$ (675,254)</u>	<u>\$ -</u>	<u>\$ 21,059,873</u>

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

Governmental activities:	
General government administration	\$ 54,335
Public safety	181,976
Public works	632,513
Parks, recreation, and cultural	115,170
Community development	601
Total depreciation expense-governmental activities	<u>\$ 984,595</u>
Business-type activities:	
Water and Sewer	<u>\$ 1,355,927</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 9 - 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, 2018:

	Balance July 1, 2017, As restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
General obligation refunding bonds	\$ 11,364,285	\$ -	\$ (547,324)	\$ 10,816,961
Capital leases (Note 10)	294,455	184,206	(158,479)	320,182
Net pension liability (Note 12)	1,953,058	1,870,571	(3,803,460)	20,169
Landfill postclosure monitoring liability (Note 11)	370,649	355,066	-	725,715
Net OPEB liabilities (Notes 15-17)	2,475,395	259,274	(296,171)	2,438,498
Compensated absences	1,090,627	830,100	(817,970)	1,102,757
	<u>\$ 17,548,469</u>	<u>\$ 3,499,217</u>	<u>\$ (5,623,404)</u>	<u>\$ 15,424,282</u>

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

Year Ending June 30,	General Obligation Refunding Bonds	
	Principal	Interest
2019	\$ 548,744	\$ 240,358
2020	555,687	227,933
2021	568,311	215,330
2022	581,160	202,436
2023	594,506	189,251
2024-2028	3,166,885	738,299
2029-2033	3,381,369	367,743
2034-2035	1,420,299	39,989
	<u>\$ 10,816,961</u>	<u>\$ 2,221,339</u>

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TOWN OF WYTHEVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 9 - LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental Activities Indebtedness: (Continued)

Details of long-term obligations:

	Interest Rate	Date Issued	Final Maturity Date	Amount of Original Issue	Total Amount	Amount Due Within One Year
General Obligation Bonds:						
General Obligation Refunding Bond	2.24%	3/27/2015	4/1/2035	\$ 9,219,826	\$ 8,084,608	\$ 395,580
General Obligation Refunding Bond	2.45%	12/1/2014	2/1/2030	727,720	541,566	45,969
General Obligation Refunding Bond	2.24%	2/5/2016	3/27/2035	2,468,148	2,190,787	107,195
Total General Obligation Bonds					\$ 10,816,961	\$ 548,744
Other Obligations:						
Capital leases					\$ 320,182	\$ 134,638
Landfill postclosure liability					725,715	-
Net OPEB liabilities					2,438,498	-
Net pension liability					20,169	-
Compensated absences					1,102,757	827,068
Total Other Obligations					\$ 4,607,321	\$ 961,706
Total Long-term Obligations					\$ 15,424,282	\$ 1,510,450

Business-type Activities Indebtedness:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2018:

	Balance July 1, 2017, As restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
General obligation bonds	\$ 4,649,097	\$ -	\$ (117,443)	\$ 4,531,654
General obligation refunding bonds	7,238,991	-	(743,395)	6,495,596
Capital leases (Note 10)	281,711	-	(98,391)	183,320
Amount due to Wythe Co.	1,865,096	13,767	(78,182)	1,800,681
Net pension liability (Note 12)	384,814	369,590	(750,426)	3,978
Net OPEB liabilities (Notes 15-17)	359,675	27,944	(32,673)	354,946
Compensated absences	143,402	118,764	(107,552)	154,614
	\$ 14,922,786	\$ 530,065	\$ (1,928,062)	\$ 13,524,789

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 9 - LONG-TERM OBLIGATIONS: (CONTINUED)Business-type Activities Indebtedness: (Continued)

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

Year Ending June 30,	General Obligation Bonds		General Obligation Refunding Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 120,403	\$ 105,970	\$ 696,832	\$ 147,146
2020	123,435	102,937	679,735	131,225
2021	126,545	99,827	697,103	115,564
2022	129,735	96,637	711,828	99,495
2023	133,007	93,365	729,628	83,075
2024-2028	717,125	414,736	2,106,931	218,181
2029-2033	757,026	319,567	778,978	41,180
2034-2038	563,260	242,180	94,561	2,662
2039-2043	630,262	175,178	-	-
2044-2048	705,235	100,205	-	-
2049-2052	525,621	20,790	-	-
Totals	<u>\$ 4,531,654</u>	<u>\$ 1,771,392</u>	<u>\$ 6,495,596</u>	<u>\$ 838,528</u>

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TOWN OF WYTHEVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 9 - 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
General Obligation Bonds:						
General Obligation Bonds	2.25%	12/13/2011	2052	\$ 4,105,000	\$ 3,779,667	\$ 76,835
General Obligation Bonds	2.73%	12/2/2011	2032	964,540	751,987	43,568
General Obligation Bonds	2.45%	12/1/2014	2030	4,470,280	3,176,433	269,617
General Obligation Bonds	2.20%	12/1/2014	2025	4,127,500	2,635,050	393,742
General Obligation Bonds	2.24%	3/27/2015	2035	780,174	684,113	33,474
Total General Obligation Bonds					<u>\$ 11,027,250</u>	<u>\$ 817,236</u>
Other Obligations:						
Capital Leases					\$ 183,320	\$ 100,726
Amount due to Wythe Co. (1)					1,800,681	109,673
Net Pension Liability					3,978	-
Net OPEB Liabilities					354,946	-
Compensated Absences					154,614	115,961
Total Other Obligations					<u>\$ 2,497,539</u>	<u>\$ 326,360</u>
Total Long-term Obligations					<u>\$ 13,524,789</u>	<u>\$ 1,143,596</u>

(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, 2018

NOTE 10 - CAPITAL LEASES: (CONTINUED)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	Total
Assets	\$ 184,206	\$ 326,747	\$ 510,953
Less: Accumulated Depreciation	(29,802)	(93,356)	(123,158)
Total	\$ 154,404	\$ 233,391	\$ 387,795

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

Year Ending June 30,	Police Vehicles	Communications Equipment	Total
2019	\$ 83,198	\$ 65,630	\$ 148,828
2020	64,547	65,630	130,177
2021	-	65,630	65,630
Total	\$ 147,745	\$ 196,890	\$ 344,635
Less, amount representing interest	(10,490)	(13,963)	(24,453)
Present Value of Lease Agreement	\$ 137,255	\$ 182,927	\$ 320,182

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 10 - 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	(73,219)	(65,350)	(138,569)
Total	<u>\$ 475,924</u>	<u>\$ 43,566</u>	<u>\$ 519,490</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

Year Ending June 30,	Meter Reading System	Communications Equipment	Total
2019	\$ 83,216	\$ 21,877	\$ 105,093
2020	41,635	21,877	63,512
2021	-	21,877	21,877
Total	\$ 124,851	\$ 65,631	\$ 190,482
Less, amount representing interest	(2,507)	(4,655)	(7,162)
Present Value of Lease Agreement	<u>\$ 122,344</u>	<u>\$ 60,976</u>	<u>\$ 183,320</u>

NOTE 11 - 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 \$725,715. This estimate is based on ten years of monitoring starting with fiscal year 2018 and ending in fiscal year 2028. The amount is based on what it would cost to perform all postclosure in 2018. 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 12 - PENSION PLAN:***Plan Description***

All full-time, salaried permanent employees of the Town are automatically covered by the 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.

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. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 12 - PENSION PLAN: (CONTINUED)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	About the Hybrid Retirement Plan (Cont.) <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 12 - PENSION PLAN: (CONTINUED)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 12 - PENSION PLAN: (CONTINUED)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contribution Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 12 - PENSION PLAN: (CONTINUED)*Plan Description (Continued)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 12 - PENSION PLAN: (CONTINUED)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.) <u>Defined Contribution Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 12 - PENSION PLAN: (CONTINUED)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component 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. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Not applicable.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 12 - PENSION PLAN: (CONTINUED)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age 60 with at least five years (60 months) of creditable service.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 12 - PENSION PLAN: (CONTINUED)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 12 - PENSION PLAN: (CONTINUED)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 12 - PENSION PLAN: (CONTINUED)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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, 2018

NOTE 12 - PENSION PLAN: (CONTINUED)

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2018 was 9.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$615,041 and \$367,603 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

At June 30, 2018, the Town reported a liability of \$24,147 for its proportionate share of the net pension liability. The Town's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. 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, 2017 and 2016, the Town's proportion was 97.63% and 97.63%, respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018NOTE 12 - 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, 2016, 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, 2017.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 12 - 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, 2016 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, 2016, 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, 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**NOTE 12 - 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 12 - PENSION PLAN: (CONTINUED)***Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)***

The actuarial assumptions used in the June 30, 2016 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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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 12 - PENSION PLAN: (CONTINUED)***Long-term Expected Rate of Return***

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
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	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* 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. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 12 - 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)	\$ 3,304,668	\$ 24,147	\$ (2,692,377)

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

For the year ended June 30, 2018, the Town recognized pension expense of \$335,447. 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, 2018, 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	\$ -	\$ 966,460
Change in assumptions	-	439,660
Net difference between projected and actual earnings on pension plan investments	-	362,518
Change in proportionate share	521	2,599
Employer contributions subsequent to the measurement date	615,041	-
Total	\$ 615,562	\$ 1,771,237

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**NOTE 12 - PENSION PLAN: (CONTINUED)*****Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

\$615,041 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 ended June 30, 2019. 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>
2019	\$ (737,423)
2020	(380,458)
2021	(368,607)
2022	(284,228)

NOTE 13 - 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 14 - SURETY BONDS:

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS - MEDICAL:***Plan Description***

In addition to the pension benefits described in Note 12, 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, 2018 (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, 2018 was \$54,886.

Total OPEB Liability

The Town's net OPEB liability was measured as of June 30, 2018.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**NOTE 15 - 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	3.50% for accounting and funding disclosures as of June 30, 2017 3.87% for accounting and funding disclosures as of June 30, 2018
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, 2017	\$ 1,663,086
Changes for the year:	
Service cost	75,407
Interest	59,895
Changes in assumptions	(58,497)
Benefit payments	(54,886)
Net changes	<u>21,919</u>
Balances at June 30, 2018	\$ <u><u>1,685,005</u></u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 15 - 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 (2.87%) or one percentage point higher (4.87%) than the current discount rate:

Rate		
1% Decrease	Current Discount	1% Increase
(2.87%)	(3.87%)	(4.87%)
\$ 1,848,002	\$ 1,685,005	\$ 1,537,441

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%) or one percentage point higher (6.9%) than the current healthcare cost trend rates:

Rates		
Healthcare Cost		
1% Decrease	Trend	1% Increase
(4.9%)	(5.9%)	(6.9%)
\$ 1,494,712	\$ 1,685,005	\$ 1,912,032

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

For the year ended June 30, 2018, the Town recognized OPEB expense in the amount of \$127,289. At June 30, 2018, 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
Differences between expected and actual experience		
Changes in assumptions	\$ -	\$ 50,483
Total	\$ -	\$ 50,483

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 15 - 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		
2019	\$	(8,014)
2020		(8,014)
2021		(8,014)
2022		(8,014)
2023		(8,014)
Thereafter		(10,413)

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 16 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN):***Plan Description***

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance 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 Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance 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 Group Life Insurance Program OPEB.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 16 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN):

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • Natural Death Benefit - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • Accidental Death Benefit - The accidental death benefit is double the natural death benefit. • Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> ○ Accidental dismemberment benefit ○ Safety belt benefit ○ Repatriation benefit ○ Felonious assault benefit ○ Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program 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.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

NOTE 16 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Contributions

The contribution requirements for the Group Life Insurance 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 Group Life Insurance 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, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 Group Life Insurance Program from the Town were \$33,277 and \$33,015 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the Town reported a liability of \$517,439 for its proportionate share of the Net GLI OPEB Liability.

The Net GLI OPEB Liability was measured as of June 30, 2017 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 Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2017, the Town's proportion was 0.03526% as compared to 0.03514% at June 30, 2016.

For the year ended June 30, 2018, the Town recognized GLI OPEB expense of \$7,810. 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**NOTE 16 - 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)***

At June 30, 2018, 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	\$ -	\$ 11,716
Net difference between projected and actual earnings on GLI OPEB program investments	-	19,526
Change in assumptions	-	26,361
Employer contributions subsequent to the measurement date	<u>33,277</u>	
Total	<u>\$ 33,277</u>	<u>\$ 57,603</u>

\$33,277 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, 2019. 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>	
2019	\$ (11,716)
2020	(11,716)
2021	(11,716)
2022	(11,716)
2023	(6,834)
Thereafter	(3,905)

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**NOTE 16 - 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, 2016, 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, 2017.

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 - General State Employees**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 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; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 16 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)***Actuarial Assumptions (Continued)*****Mortality Rates - General State Employees (Continued)**

The actuarial assumptions used in the June 30, 2016 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 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	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Mortality Rates - Teachers**Pre-Retirement:**

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 16 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)***Actuarial Assumptions (Continued)*****Mortality Rates - Teachers (Continued)**

The actuarial assumptions used in the June 30, 2016 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 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	Adjusted rates to better match experience
Salary Scale	No change

Mortality Rates - SPORS 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.

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NOTE 16 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)***Actuarial Assumptions (Continued)*****Mortality Rates - SPORS Employees (Continued)**

The actuarial assumptions used in the June 30, 2016 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 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Mortality Rates - VaLORS 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.

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NOTE 16 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)***Actuarial Assumptions (Continued)*****Mortality Rates - VaLORS Employees (Continued)**

The actuarial assumptions used in the June 30, 2016 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 and reduced margin for future improvement in accordance with experience
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 match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Mortality Rates - JRS Employees**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 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; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

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NOTE 16 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)***Actuarial Assumptions (Continued)*****Mortality Rates - JRS Employees (Continued)**

The actuarial assumptions used in the June 30, 2016 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	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 16 - 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, 2016 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.

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NOTE 16 - 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, 2016 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 16 - 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, 2016 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**NOTE 16 - 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, 2016 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%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**NOTE 16 - 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	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*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 ending June 30, 2019, 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. From July 1, 2019 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**NOTE 16 - 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	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Town's proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 669,742	\$ 517,439	\$ 394,425

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 17 - LINE OF DUTY ACT (LODA) PROGRAM:***Plan Description***

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. 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.

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NOTE 17 - LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)***Plan Description (Continued)***

The specific information for the LODA Program OPEB, including eligibility, coverage and benefits is set out in the table below:

LINE OF DUTY ACT PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The eligible employees of the Line of Duty Act Program are 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).</p>
<p>Benefit Amounts</p> <p>The Line of Duty Act Program provides death and health insurance benefits for eligible individuals:</p> <ul style="list-style-type: none"> • <u>Death</u> - The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: <ul style="list-style-type: none"> ○ \$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. ○ 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. • <u>Health Insurance</u> - The Line of Duty Act program provides health insurance benefits. <ul style="list-style-type: none"> ○ 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 the Line of Duty Act.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 17 - LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Contributions

The contribution requirements for the Line of Duty Act 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 Line of Duty Act Program for the year ended June 30, 2018 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 Line of Duty Act Program from the entity were \$23,546 and \$24,255 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the entity reported a liability \$591,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2017, the entity's proportion was 0.22489% as compared to 0.20739% at June 30, 2016.

For the year ended June 30, 2018, the entity recognized LODA OPEB expense of \$57,000. 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**NOTE 17 - 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)***

At June 30, 2018, 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	\$ -	\$ -
Net difference between projected and actual earnings on LODA OPEB plan investments	-	1,000
Change in assumptions	-	61,000
Change in proportion	44,000	-
Employer contributions subsequent to the measurement date	<u>23,546</u>	<u>-</u>
Total	<u>\$ 67,546</u>	<u>\$ 62,000</u>

\$23,546 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, 2019. 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:

Year Ended June 30

2019	\$ (3,000)
2020	(3,000)
2021	(3,000)
2022	(3,000)
2023	(3,000)
Thereafter	(3,000)

NOTE 17 - LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)***Actuarial Assumptions***

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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%
Investment rate of return	3.56%, net of OPEB plan 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 3.56%. However, since the difference was minimal, a more conservative 3.56% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return.

Mortality rates - General State Employees**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 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; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 17 - LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)***Actuarial Assumptions (Continued)*****Mortality rates - General State Employees (Continued)**

The actuarial assumptions used in the June 30, 2016 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 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	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Mortality rates - SPORS 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 17 - LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)***Actuarial Assumptions (Continued)*****Mortality rates - SPORS Employees (Continued)**

The actuarial assumptions used in the June 30, 2016 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 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Mortality rates - VaLORS 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 17 - LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)***Actuarial Assumptions (Continued)*****Mortality rates - VaLORS Employees (Continued)**

The actuarial assumptions used in the June 30, 2016 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 and reduced margin for future improvement in accordance with experience
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 match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 17 - LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)***Actuarial Assumptions (Continued)*****Mortality Rates - Largest Ten Locality Employers with Public Safety Employees (Continued)**

The actuarial assumptions used in the June 30, 2016 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 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 17 - LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)***Actuarial Assumptions (Continued)*****Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees (Continued)**

The actuarial assumptions used in the June 30, 2016 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%

Changes to the LODA Program Associated with HB 1345 (2016) and HB 2243 (2017)

The following changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2016 actuarial valuation results which were rolled forward to the measurement date of June 30, 2017. There was no current actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes will be factored into future actuarial valuations for the LODA Program.

- The discontinuance of spouse health care coverage, if a covered spouse divorces a disabled employee or a covered surviving spouse remarries.
- The potential for VRS's periodic review of the disability status of a disabled employee.
- For those beneficiaries who become eligible for health care benefits as the result of a disability occurring after June 30, 2017, the suspension of health care benefits in years when VRS certifies current income exceeds salary at the time of the disability, indexed for inflation.
- The extension of health care benefits for dependent children to age 26.
- The expansion of the definition of presumption of death or disability to include infectious diseases.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**NOTE 17 - LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)*****Net LODA OPEB Liability***

The net OPEB liability (NOL) for the Line of Duty Act Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Line of Duty Act Program is as follows (amounts expressed in thousands):

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 266,252
Plan Fiduciary Net Position	<u>3,461</u>
Employers' Net OPEB Liability (Asset)	<u>\$ 262,791</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.30%

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 3.56% 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 3.56% 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, 2017.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.56%. 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 ending June 30, 2019, 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.

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NOTE 17 - 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 3.56%, 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 (2.56%) or one percentage point higher (4.56%) than the current rate:

	Discount Rate		
	1% Decrease (2.56%)	Current (3.56%)	1% Increase (4.56%)
Town's proportionate share of the total LODA Net OPEB Liability	\$ 670,000	\$ 591,000	\$ 525,000

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

Because the Line of Duty Act 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	\$ 501,000	\$ 591,000	\$ 702,000

LODA OPEB Fiduciary Net Position

Detailed information about the Line of Duty Act Program Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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, 2018

NOTE 18 - LITIGATION:

As of June 30, 2018, 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, 2018, the following construction commitments were outstanding:

<u>Project</u>	<u>Total Due</u>	<u>Retainage Payable</u>	<u>Net Amount Due</u>	<u>Accounts Payable</u>
Governmental Activities				
Wytheville Heritage Walk Trail	\$ 173,295	\$ 35,040	\$ 138,255	\$ 122,085
Downtown Improvements/Streetscape	209,800	9,596	200,204	200,204
East Main Street Improvements	1,884,556	68,068	1,816,488	245,855
Total Governmental Activities	<u>\$ 2,267,651</u>	<u>\$ 112,704</u>	<u>\$ 2,154,947</u>	<u>\$ 568,144</u>

NOTE 20 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 77, TAX ABATEMENT DISCLOSURES:

GASB Statement 77, Tax Abatement Disclosures, requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement.

In an effort to enhance the local business environment and promote a vibrant local economy, the Town of Wytheville offers access to a variety of economic development incentives. New businesses and/or new and existing property owners may be eligible for grants to offset local meals taxes, lodging taxes, business license taxes, building permit fees, and real property taxes.

For meals and lodging taxes, the Town of Wytheville offers a 100% reimbursement of meals and lodging taxes paid for 60 months for a new business, January 1, 2014 through January 1, 2024, located in the Enterprise Zone. Reimbursement is made quarterly. If meals tax or lodging tax is late, the reimbursement is assessed a 25% penalty. More than three late payments will result in revocation of program eligibility. In addition, for NEW restaurants and eateries created within the boundaries of the Town of Wytheville, other than those situated in the Enterprise Zone, the Town of Wytheville will provide grants to the qualifying business equivalent to the meals tax paid by the Qualifying Business. To qualify, new restaurants must reach Minimum Threshold of gross meals receipts to receive the corresponding meals tax grant. For fiscal year ending June 30, 2018, the Town paid \$212,603 in incentives to local businesses qualifying for the reimbursements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 21 - ADOPTION OF ACCOUNTING PRINCIPLES:

The Town implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the Town implemented Governmental Accounting Standards Board Statement No. 85, Omnibus 2017 during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

	Governmental Activities	Business-type Activities
Net Position, July 1, 2017, as previously stated	\$ 25,667,578	\$ 8,228,204
Reclassification of OPEB items (1)	414,400	-
Implementation of GASB 75	(2,423,566)	(359,675)
Net Position, July 1, 2017, as restated	\$ 23,658,412	\$ 7,868,529

(1) In previous years, the Town included the OPEB obligation in an internal service fund call OPEB Fund. With the implementation of GASB 75, the need for this fund didn't went away. As a result, the OPEB Fund was restated by the OPEB obligation and the fund's name changed to Retiree Health Insurance Fund.

NOTE 22 - UPCOMING PRONOUNCEMENTS:

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 22 - UPCOMING PRONOUNCEMENTS: (Continued)

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring 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. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about 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. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
General property taxes	\$ 1,574,500	\$ 1,574,500	\$ 1,674,316	\$ 99,816
Other local taxes	6,744,000	6,744,000	7,563,853	819,853
Permits, privilege fees, and regulatory licenses	155,100	155,100	208,285	53,185
Fines and forfeitures	128,000	128,000	76,207	(51,793)
Revenue from the use of money and property	397,590	397,590	341,916	(55,674)
Charges for services	1,005,780	1,005,780	1,030,103	24,323
Miscellaneous	506,780	518,780	782,684	263,904
Recovered costs	134,970	134,970	140,274	5,304
Intergovernmental:				
Commonwealth	4,760,400	4,760,400	4,202,957	(557,443)
Federal	632,880	632,880	1,369,667	736,787
Total revenues	\$ 16,040,000	\$ 16,052,000	\$ 17,390,262	\$ 1,338,262
EXPENDITURES				
Current:				
General government administration	\$ 6,178,767	\$ 6,466,357	\$ 4,798,584	\$ 1,667,773
Public safety	3,609,722	3,462,452	3,351,790	110,662
Public works	4,744,881	6,418,716	5,998,085	420,631
Health and welfare	10,500	10,500	9,040	1,460
Parks, recreation, and cultural	2,631,430	2,732,455	2,148,156	584,299
Community development	1,655,425	1,761,745	1,768,125	(6,380)
Debt service:				
Principal retirement	654,202	654,202	705,803	(51,601)
Interest and other fiscal charges	280,073	280,073	264,529	15,544
Total expenditures	\$ 19,765,000	\$ 21,786,500	\$ 19,044,112	\$ 2,742,388
Excess (deficiency) of revenues over (under) expenditures	\$ (3,725,000)	\$ (5,734,500)	\$ (1,653,850)	\$ 4,080,650
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 566,242	\$ 566,242
Transfers out	-	-	(336,173)	(336,173)
Issuance of capital leases	-	-	184,206	184,206
Total other financing sources (uses)	\$ -	\$ -	\$ 414,275	\$ 414,275
Net change in fund balances	\$ (3,725,000)	\$ (5,734,500)	\$ (1,239,575)	\$ 4,494,925
Fund balances - beginning, as restated	3,725,000	5,734,500	17,605,135	11,870,635
Fund balances - ending	\$ -	\$ -	\$ 16,365,560	\$ 16,365,560

Town of Wytheville, Virginia
Schedule of the Town's Proportionate Share of the Net Pension Liability (Asset)
Town Pension Plan
For the Years Ended June 30, 2015 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)
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
Town Pension Plan
For the Years Ended June 30, 2009 through June 30, 2018

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)
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%
2009	256,835	256,835	-	5,418,455	4.74%

Town of Wytheville, Virginia
Notes to Required Supplementary Information
Town Pension Plan
For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

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 Changes in Total OPEB Liability (Asset) and Related Ratios
 Town OPEB Plan
 For the Year Ended June 30, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 75,407
Interest	59,895
Changes in assumptions	(58,497)
Differences between expected and actual experience	-
Benefit payments	(54,886)
Net change in total OPEB liability	\$ 21,919
Total OPEB liability - beginning	1,663,086
Total OPEB liability - ending	<u><u>\$ 1,685,005</u></u>
 Covered payroll	 \$ 6,535,902
 Town's total OPEB liability (asset) as a percentage of covered payroll	 25.78%

Schedule is intended to show information for 10 years. 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, 2018

Valuation Date: 7/1/2017
Measurement Date: 6/30/2018

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	3.50% as of June 30, 2017; 3.87% as of June 30, 2018
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 2017 and gradually decrease to 4.20% by the year 2082
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 Year Ended June 30, 2018

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)
2017	0.03526% \$	517,439 \$	6,513,135	7.94%	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, 2018

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)
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, 2018

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:

General State 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 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	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

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	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
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 50% to 35%

Town of Wytheville, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

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 Program (LODA)
For the Year Ended June 30, 2018

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)
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. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

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

Town of Wytheville, Virginia
Schedule of Employer Contributions
Line of Duty Act Program (LODA)
For the Years Ended June 30, 2017 through June 30, 2018

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)
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. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only two 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 Program (LODA)
For the Year Ended June 30, 2018

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:

General State 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 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	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
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 match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

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, 2018

	Special Revenue			Capital Projects	Total Nonmajor Governmental Funds
	Homestead Endowment Fund	Wall of Honor Fund	Total	CDBG Funds	
ASSETS					
Cash and cash equivalents	\$ 310,660	\$ 11,625	\$ 322,285	\$ 13,302	\$ 335,587
Total assets	<u>\$ 310,660</u>	<u>\$ 11,625</u>	<u>\$ 322,285</u>	<u>\$ 13,302</u>	<u>\$ 335,587</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,885	\$ 53	\$ 2,938	\$ -	\$ 2,938
Fund balances:					
Committed:					
Homestead Endowment	\$ 307,775	\$ -	\$ 307,775	\$ -	\$ 307,775
Wall of Honor	-	11,572	11,572	-	11,572
Assigned:					
Capital Projects	-	-	-	13,302	13,302
Total fund balances	<u>\$ 307,775</u>	<u>\$ 11,572</u>	<u>\$ 319,347</u>	<u>\$ 13,302</u>	<u>\$ 332,649</u>
Total liabilities and fund balances	<u>\$ 310,660</u>	<u>\$ 11,625</u>	<u>\$ 322,285</u>	<u>\$ 13,302</u>	<u>\$ 335,587</u>

Town of Wytheville, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	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	\$ 1,515	\$ 58	\$ 1,573	\$ 56	\$ 1,629
Miscellaneous	3,631	500	4,131	2,270	6,401
Total revenues	<u>\$ 5,146</u>	<u>\$ 558</u>	<u>\$ 5,704</u>	<u>\$ 2,326</u>	<u>\$ 8,030</u>
EXPENDITURES					
Current:					
Health and welfare	\$ 20,773	\$ -	\$ 20,773	\$ -	\$ 20,773
Parks, recreation, and cultural	-	1,132	1,132	-	1,132
Total expenditures	<u>\$ 20,773</u>	<u>\$ 1,132</u>	<u>\$ 21,905</u>	<u>\$ -</u>	<u>\$ 21,905</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (15,627)</u>	<u>\$ (574)</u>	<u>\$ (16,201)</u>	<u>\$ 2,326</u>	<u>\$ (13,875)</u>
Net change in fund balances	\$ (15,627)	\$ (574)	\$ (16,201)	\$ 2,326	\$ (13,875)
Fund balances - beginning	323,402	12,146	335,548	10,976	346,524
Fund balances - ending	<u>\$ 307,775</u>	<u>\$ 11,572</u>	<u>\$ 319,347</u>	<u>\$ 13,302</u>	<u>\$ 332,649</u>

Town of Wytheville, Virginia
Combining Statement of Net Position
Proprietary Funds
June 30, 2018

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 316,107	640,923	\$ 957,030
Accounts receivable, net of allowance for uncollectibles	429,311	330,887	760,198
Due from other funds	65,284	-	65,284
Total current assets	<u>\$ 810,702</u>	<u>\$ 971,810</u>	<u>\$ 1,782,512</u>
Noncurrent assets:			
Restricted cash, cash equivalents, and investments:			
Cash and cash equivalents	\$ 51,562	\$ -	\$ 51,562
Capital assets:			
Land	119,625	43,611	163,236
Land rights	94,838	-	94,838
Construction in progress	681,754	1,726,461	2,408,215
Machinery and equipment	1,774,909	588,966	2,363,875
Utility plant in service	32,917,279	22,272,330	55,189,609
Less accumulated depreciation	(21,397,491)	(17,762,409)	(39,159,900)
Total capital assets	<u>\$ 14,190,914</u>	<u>\$ 6,868,959</u>	<u>\$ 21,059,873</u>
Total noncurrent assets	<u>\$ 14,242,476</u>	<u>\$ 6,868,959</u>	<u>\$ 21,111,435</u>
Total assets	<u>\$ 15,053,178</u>	<u>\$ 7,840,769</u>	<u>\$ 22,893,947</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 18,895	\$ 19,377	\$ 38,272
OPEB related items	3,089	2,237	5,326
Pension related items	57,066	41,326	98,392
Total deferred outflows of resources	<u>\$ 79,050</u>	<u>\$ 62,940</u>	<u>\$ 141,990</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 34,172	\$ 37,763	\$ 71,935
Retainage payable	64,808	-	64,808
Accrued payroll/fringes	39,170	25,116	64,286
Accrued interest payable	54,877	41,522	96,399
Due to other funds	-	65,284	65,284
Compensated absences - current portion	66,442	49,519	115,961
Capital leases - current portion	90,937	9,789	100,726
Bonds payable - current portion	372,803	444,433	817,236
Amount due to Wythe County - current portion	109,673	-	109,673
Total current liabilities	<u>\$ 832,882</u>	<u>\$ 673,426</u>	<u>\$ 1,506,308</u>
Current liabilities payable from restricted assets:			
Customer deposits payable	\$ 51,562	\$ -	\$ 51,562
Noncurrent liabilities:			
Capital leases - net of current portion	\$ 61,895	\$ 20,699	\$ 82,594
Bonds payable - net of current portion	6,525,060	3,684,954	10,210,014
Compensated absences - net of current portion	22,147	16,506	38,653
Amount due to Wythe County - net of current portion	1,691,008	-	1,691,008
Net pension liability	2,386	1,592	3,978
Net OPEB liabilities	207,560	147,386	354,946
Total noncurrent liabilities	<u>\$ 8,510,056</u>	<u>\$ 3,871,137</u>	<u>\$ 12,381,193</u>
Total liabilities	<u>\$ 9,394,500</u>	<u>\$ 4,544,563</u>	<u>\$ 13,939,063</u>
DEFERRED INFLOWS OF RESOURCES			
OPEB related items	\$ 10,380	\$ 7,193	\$ 17,573
Pension related items	176,818	117,942	294,760
Total deferred inflows of resources	<u>\$ 187,198</u>	<u>\$ 125,135</u>	<u>\$ 312,333</u>
NET POSITION			
Net investment in capital assets	\$ 5,293,625	\$ 2,728,461	\$ 8,022,086
Unrestricted	256,905	505,550	762,455
Total net position	<u>\$ 5,550,530</u>	<u>\$ 3,234,011</u>	<u>\$ 8,784,541</u>

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

Town of Wytheville, Virginia
Combining Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 3,283,738	\$ -	\$ 3,283,738
Sewer revenues	-	2,450,609	2,450,609
Penalties	46,019	-	46,019
Recovered costs	150,324	334,830	485,154
Miscellaneous	928	34,635	35,563
Total operating revenues	<u>\$ 3,481,009</u>	<u>\$ 2,820,074</u>	<u>\$ 6,301,083</u>
OPERATING EXPENSES			
Salaries	\$ 707,733	\$ 466,702	\$ 1,174,435
Fringe benefits	166,283	119,071	285,354
Professional services	186,010	107,068	293,078
Repair and maintenance	269,710	151,202	420,912
Operating materials and supplies	715,966	152,872	868,838
Permits, licenses and memberships	2,508	11,650	14,158
Utilities	211,304	257,194	468,498
Travel	1,345	2,717	4,062
Office supplies	1,905	1,798	3,703
Postal services	4,076	4,000	8,076
Insurance	-	9,900	9,900
Miscellaneous expenses	10,769	11,862	22,631
Depreciation	826,590	529,337	1,355,927
Total operating expenses	<u>\$ 3,104,199</u>	<u>\$ 1,825,373</u>	<u>\$ 4,929,572</u>
Operating income (loss)	<u>\$ 376,810</u>	<u>\$ 994,701</u>	<u>\$ 1,371,511</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	\$ 1,459	\$ 1,095	\$ 2,554
Payment to NRRWA	(434,177)	-	(434,177)
Interest expense	(248,996)	(107,053)	(356,049)
Total nonoperating revenues (expenses)	<u>\$ (681,714)</u>	<u>\$ (105,958)</u>	<u>\$ (787,672)</u>
Income before capital contributions and transfers	<u>\$ (304,904)</u>	<u>\$ 888,743</u>	<u>\$ 583,839</u>
Capital contributions and construction grants	\$ -	\$ 20,000	\$ 20,000
Transfers in	312,173	-	312,173
Change in net position	<u>\$ 7,269</u>	<u>\$ 908,743</u>	<u>\$ 916,012</u>
Total net position - beginning, as restated	5,543,261	2,325,268	7,868,529
Total net position - ending	<u><u>\$ 5,550,530</u></u>	<u><u>\$ 3,234,011</u></u>	<u><u>\$ 8,784,541</u></u>

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

Town of Wytheville, Virginia
Statement of Changes in Assets and Liabilities
Agency Funds
June 30, 2018

	<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	\$ 957,966	\$ 2,351,518	\$ (1,939,566)	\$ 1,369,918
Cemetery Services	26,836	398	-	27,234
Total cash and cash equivalents	<u>\$ 984,802</u>	<u>\$ 2,351,916</u>	<u>\$ (1,939,566)</u>	<u>\$ 1,397,152</u>
Total Assets	<u>\$ 984,802</u>	<u>\$ 2,351,916</u>	<u>\$ (1,939,566)</u>	<u>\$ 1,397,152</u>
Liabilities				
Amounts held for New River Regional Water Authority	\$ 957,966	\$ 2,351,518	\$ (1,939,566)	\$ 1,369,918
Amounts held for cemetery expenditures	26,836	398	-	27,234
Total Liabilities	<u>\$ 984,802</u>	<u>\$ 2,351,916</u>	<u>\$ (1,939,566)</u>	<u>\$ 1,397,152</u>

Supporting Schedules

Town of Wytheville, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 1,235,000	\$ 1,235,000	\$ 1,299,810	\$ 64,810
Real and personal public service corporation taxes	59,000	59,000	61,385	2,385
Personal property taxes	176,500	176,500	153,088	(23,412)
Mobile home taxes	2,000	2,000	1,594	(406)
Machinery and tools taxes	90,000	90,000	130,974	40,974
Penalties	7,000	7,000	12,691	5,691
Interest	5,000	5,000	14,774	9,774
Total general property taxes	<u>\$ 1,574,500</u>	<u>\$ 1,574,500</u>	<u>\$ 1,674,316</u>	<u>\$ 99,816</u>
Other local taxes:				
Local sales and use taxes	\$ 500,000	\$ 500,000	\$ 625,971	\$ 125,971
Consumers' utility taxes	235,000	235,000	239,733	4,733
Consumption taxes	52,000	52,000	51,814	(186)
Business license taxes	1,200,000	1,200,000	1,283,603	83,603
Motor vehicle licenses	100,000	100,000	105,228	5,228
Tobacco tax	235,000	235,000	223,041	(11,959)
Bank stock taxes	300,000	300,000	406,121	106,121
Hotel and motel room taxes	1,300,000	1,300,000	1,534,331	234,331
Restaurant food taxes	2,800,000	2,800,000	3,055,253	255,253
Interest on local taxes	22,000	22,000	38,758	16,758
Total other local taxes	<u>\$ 6,744,000</u>	<u>\$ 6,744,000</u>	<u>\$ 7,563,853</u>	<u>\$ 819,853</u>
Permits, privilege fees, and regulatory licenses:				
Land use permits	\$ 500	\$ 500	\$ -	\$ (500)
Building permits	22,000	22,000	38,488	16,488
Electrical permits	5,000	5,000	14,140	9,140
Plumbing permits	4,000	4,000	7,684	3,684
Mechanical permits	5,500	5,500	9,071	3,571
Burial permits	35,000	35,000	38,640	3,640
Monument permits	1,200	1,200	1,257	57
Subdivision permits	200	200	2,610	2,410
Zoning permits	500	500	1,928	1,428
Refuse tags and disposal permits	80,000	80,000	92,544	12,544
Permits and other licenses	1,200	1,200	1,923	723
Total permits, privilege fees, and regulatory licenses	<u>\$ 155,100</u>	<u>\$ 155,100</u>	<u>\$ 208,285</u>	<u>\$ 53,185</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 46,000	\$ 46,000	\$ 28,285	\$ (17,715)
Parking fines	82,000	82,000	47,922	(34,078)
Total fines and forfeitures	<u>\$ 128,000</u>	<u>\$ 128,000</u>	<u>\$ 76,207</u>	<u>\$ (51,793)</u>

Town of Wytheville, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 282,090	\$ 282,090	\$ 282,425	\$ 335
Revenue from use of property	115,500	115,500	59,491	(56,009)
Total revenue from use of money and property	<u>\$ 397,590</u>	<u>\$ 397,590</u>	<u>\$ 341,916</u>	<u>\$ (55,674)</u>
Charges for services:				
Charges for false alarms	\$ -	\$ -	\$ 972	\$ 972
Charges for fire services	10,000	10,000	22,900	12,900
Charges for law enforcement	12,000	12,000	8,254	(3,746)
Charges for cemetery plots	23,000	23,000	34,576	11,576
Charges for restaurant signs	1,000	1,000	-	(1,000)
Charges for copies	2,000	2,000	2,061	61
Charges for animal control	100	100	120	20
Charges for gift shop	21,500	21,500	19,151	(2,349)
Charges for admissions	53,300	53,300	65,915	12,615
Charges for parks and recreation	857,455	857,455	843,317	(14,138)
Charges for weed cutting	14,500	14,500	19,469	4,969
Charges for other services	10,925	10,925	13,368	2,443
Total charges for services	<u>\$ 1,005,780</u>	<u>\$ 1,005,780</u>	<u>\$ 1,030,103</u>	<u>\$ 24,323</u>
Miscellaneous:				
Donations	\$ 57,200	\$ 69,200	\$ 45,552	\$ (23,648)
Miscellaneous	449,580	449,580	691,107	241,527
Virginia tourism grant	-	-	46,025	46,025
Total miscellaneous	<u>\$ 506,780</u>	<u>\$ 518,780</u>	<u>\$ 782,684</u>	<u>\$ 263,904</u>
Recovered costs:				
Recovered costs	<u>\$ 134,970</u>	<u>\$ 134,970</u>	<u>\$ 140,274</u>	<u>\$ 5,304</u>
Total revenue from local sources	<u>\$ 10,646,720</u>	<u>\$ 10,658,720</u>	<u>\$ 11,817,638</u>	<u>\$ 1,158,918</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 10,000	\$ 10,000	\$ 304	\$ (9,696)
Mobile home titling tax	2,500	2,500	1,954	(546)
Motor vehicle rental tax	40,000	40,000	57,939	17,939
Telecommunication tax	430,000	430,000	390,351	(39,649)
Personal property tax relief funds	61,000	61,000	61,076	76
Total noncategorical aid	<u>\$ 543,500</u>	<u>\$ 543,500</u>	<u>\$ 511,624</u>	<u>\$ (31,876)</u>

Town of Wytheville, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Department of technology (E-911)	\$ 40,000	\$ 40,000	\$ 46,167	\$ 6,167
Fire programs	25,000	25,000	27,451	2,451
Highway maintenance	3,700,000	3,700,000	3,328,434	(371,566)
Law enforcement block grant	188,500	188,500	196,444	7,944
Litter control	3,400	3,400	3,337	(63)
State tobacco grant	255,000	255,000	85,000	(170,000)
Virginia commission for the arts	5,000	5,000	4,500	(500)
Total categorical aid	\$ 4,216,900	\$ 4,216,900	\$ 3,691,333	\$ (525,567)
Total revenue from the Commonwealth	\$ 4,760,400	\$ 4,760,400	\$ 4,202,957	\$ (557,443)
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	\$ 25,612	\$ 1,612
DOT TEA 21 grant-Heritage Walk	240,000	240,000	568,309	328,309
DOT TEA 21 grant-Historic Truss	130,000	130,000	669,486	539,486
Community development block grant-Downtown	-	-	17,378	17,378
Community development block grant-Freedom Lane	-	-	5,000	5,000
VMGSIA Grant	230,000	230,000	-	(230,000)
Other grants	-	-	75,000	75,000
Total categorical aid	\$ 624,000	\$ 624,000	\$ 1,360,785	\$ 736,785
Total revenue from the federal government	\$ 632,880	\$ 632,880	\$ 1,369,667	\$ 736,787
Total General Fund	\$ 16,040,000	\$ 16,052,000	\$ 17,390,262	\$ 1,338,262
Special Revenue Funds:				
Homestead Endowment Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,515	\$ 1,515
Miscellaneous:				
Contributions	\$ -	\$ -	\$ 3,631	\$ 3,631
Total Homestead Endowment Fund	\$ -	\$ -	\$ 5,146	\$ 5,146
Wall of Honor Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 100	\$ 100	\$ 58	\$ (42)

Town of Wytheville, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 1
Page 4 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (Continued)				
Wall of Honor Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Contributions	\$ 1,900	\$ 1,900	\$ 500	\$ (1,400)
Total Wall of Honor Fund	\$ 2,000	\$ 2,000	\$ 558	\$ (1,442)
Capital Projects Fund:				
CDBG Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 56	\$ 56
Miscellaneous:				
Contributions	\$ -	\$ -	\$ 2,270	\$ 2,270
Total CDBG Fund	\$ -	\$ -	\$ 2,326	\$ 2,326
Total Primary Government	\$ 16,042,000	\$ 16,054,000	\$ 17,398,292	\$ 1,344,292

Town of Wytheville, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 2
Page 1 of 3

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Town council	\$ 1,758,000	\$ 1,992,600	\$ 1,289,876	\$ 702,724
General and financial administration:				
Town clerk	\$ 253,475	\$ 260,620	\$ 257,984	\$ 2,636
Commission member	10,400	10,400	5,741	4,659
Town manager	159,955	164,730	163,457	1,273
Assistant town manager	272,456	282,376	282,873	(497)
Legal services	99,445	102,315	76,785	25,530
Independent services	45,000	46,000	40,770	5,230
Town treasurer	224,962	233,862	234,685	(823)
Automotive/motor pool	246,010	249,315	206,791	42,524
Engineering department	2,663,700	2,668,650	1,804,988	863,662
Human resources	143,884	148,009	146,319	1,690
Computer operations	298,980	304,780	285,631	19,149
Other general and financial administration	2,500	2,700	2,684	16
Total general and financial administration	\$ 4,420,767	\$ 4,473,757	\$ 3,508,708	\$ 965,049
Total general government administration	\$ 6,178,767	\$ 6,466,357	\$ 4,798,584	\$ 1,667,773
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 2,886,818	\$ 2,719,863	\$ 2,665,311	\$ 54,552
Fire and rescue services:				
Fire department	\$ 540,760	\$ 552,510	\$ 508,664	\$ 43,846
Inspections:				
Building	\$ 82,890	\$ 89,160	\$ 79,526	\$ 9,634
Other protection:				
Animal control	\$ 66,552	\$ 68,217	\$ 65,587	\$ 2,630
Transportation study grant	32,702	32,702	32,702	-
Total other protection	\$ 99,254	\$ 100,919	\$ 98,289	\$ 2,630
Total public safety	\$ 3,609,722	\$ 3,462,452	\$ 3,351,790	\$ 110,662
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 1,666,069	\$ 2,305,464	\$ 2,573,230	\$ (267,766)
Snow and ice removal	117,650	198,310	193,211	5,099
Streets, signs, and lights	652,843	661,383	531,746	129,637
Administration	83,594	101,249	101,293	(44)
Total maintenance of highways, streets, bridges and sidewalks	\$ 2,520,156	\$ 3,266,406	\$ 3,399,480	\$ (133,074)
Sanitation and waste removal:				
Refuse collection and disposal	\$ 259,855	\$ 286,850	\$ 253,615	\$ 33,235

Town of Wytheville, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 2
Page 2 of 3

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public works: (Continued)				
Maintenance of general buildings and grounds:				
General properties	\$ 121,880	\$ 273,255	\$ 196,525	\$ 76,730
Town hall	251,230	252,165	265,934	(13,769)
Community center and park	660,435	668,340	645,210	23,130
Parks	59,950	64,485	65,021	(536)
Emergency services buildings	46,500	71,500	70,890	610
Animal shelter	2,600	2,600	2,425	175
Weed control - mowing	173,775	184,615	179,365	5,250
Downtown main	648,500	1,348,500	919,620	428,880
Total maintenance of general buildings and grounds	\$ 1,964,870	\$ 2,865,460	\$ 2,344,990	\$ 520,470
Total public works	\$ 4,744,881	\$ 6,418,716	\$ 5,998,085	\$ 420,631
Health and welfare:				
Welfare:				
Tax relief for the elderly	\$ 10,500	\$ 10,500	\$ 9,040	\$ 1,460
Parks, recreation, and cultural:				
Parks and recreation:				
Community activities	\$ 17,225	\$ 17,225	\$ 8,131	\$ 9,094
Recreational programs	565,795	575,465	552,740	22,725
Swimming pools	10,500	10,500	434	10,066
Athletic programs	407,580	410,150	304,606	105,544
New community programs	128,172	130,692	118,105	12,587
Youth/Teen center	132,530	135,015	119,124	15,891
Fitness center	273,993	277,953	215,064	62,889
Nutrition	84,700	84,700	39,984	44,716
Cemeteries	199,175	251,915	246,657	5,258
Total parks and recreation	\$ 1,819,670	\$ 1,893,615	\$ 1,604,845	\$ 288,770
Cultural enrichment:				
E. Lee Trinkle visitor center	\$ 80,625	\$ 80,625	\$ 72,053	\$ 8,572
Museums and heritage education	138,690	147,665	121,300	26,365
Homestead museum	52,540	53,330	17,545	35,785
Museums and Heritage Center	539,905	557,220	332,413	224,807
Total cultural enrichment	\$ 811,760	\$ 838,840	\$ 543,311	\$ 295,529
Total parks, recreation, and cultural	\$ 2,631,430	\$ 2,732,455	\$ 2,148,156	\$ 584,299
Community development:				
Planning and community development:				
Director of public information	\$ 524,380	\$ 579,980	\$ 590,551	\$ (10,571)
Chamber of commerce	179,630	186,515	185,379	1,136
Horticulture	268,375	293,120	294,162	(1,042)
Meeting Center	466,770	479,475	478,986	489
Joint IDA	216,270	222,655	219,047	3,608
Total planning and community development	\$ 1,655,425	\$ 1,761,745	\$ 1,768,125	\$ (6,380)
Total community development	\$ 1,655,425	\$ 1,761,745	\$ 1,768,125	\$ (6,380)

Town of Wytheville, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 2
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<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	\$ 654,202	\$ 654,202	\$ 705,803	\$ (51,601)
Interest and other fiscal charges	280,073	280,073	264,529	15,544
Total debt service	<u>\$ 934,275</u>	<u>\$ 934,275</u>	<u>\$ 970,332</u>	<u>\$ (36,057)</u>
 Total General Fund	 <u>\$ 19,765,000</u>	 <u>\$ 21,786,500</u>	 <u>\$ 19,044,112</u>	 <u>\$ 2,742,388</u>
 Homestead Endowment Fund:				
Health and welfare:				
Welfare and social services:				
Other welfare	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 20,773</u>	<u>\$ 4,227</u>
 Total Homestead Endowment Fund	 <u>\$ -</u>	 <u>\$ 25,000</u>	 <u>\$ 20,773</u>	 <u>\$ 4,227</u>
 Wall of Honor Fund:				
Parks, recreation, and cultural:				
Parks and recreation:				
Other parks and recreation	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 1,132</u>	<u>\$ 868</u>
 Total Wall of Honor Fund	 <u>\$ 2,000</u>	 <u>\$ 2,000</u>	 <u>\$ 1,132</u>	 <u>\$ 868</u>
 Total Primary Government	 <u>\$ 19,767,000</u>	 <u>\$ 21,813,500</u>	 <u>\$ 19,066,017</u>	 <u>\$ 2,747,483</u>

Other Statistical Information

Table 1

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
2008-09	\$ 1,749,917	\$ 2,812,237	\$ 3,593,497	\$ 6,768	\$ 1,755,356	\$ 865,663	\$ 666,665	\$ 5,533,058	\$ 16,983,161
2009-10	1,753,803	2,741,033	3,607,367	7,426	1,905,998	842,390	637,665	5,849,682	17,345,364
2010-11	2,072,793	3,088,094	3,187,840	7,051	1,967,550	874,542	617,794	5,667,829	17,483,493
2011-12	1,810,037	3,040,482	4,376,870	16,195	1,838,014	1,331,548	592,141	5,394,734	18,400,021
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	5,719,798	20,490,800

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						Total
	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	
2008-09	\$ 5,970,690	\$ 2,384,354	\$ -		\$ 1,642,174	\$ 5,969,361	\$ -	\$ 549,591	\$ 315,318	\$ 127,695	\$ 16,959,183
2009-10	5,912,685	2,345,899	-		1,638,257	5,479,318	-	521,621	384,756	557,392	16,839,928
2010-11	5,954,107	2,488,479	52,478		1,630,380	5,637,844	-	506,198	523,468	550,766	17,343,720
2011-12	6,218,235	2,932,482	40,438		1,622,277	5,986,032	-	527,647	365,800	559,751	18,252,662
2012-13	6,789,034	2,732,334	1,833,565		1,627,185	6,208,331	-	542,179	522,726	581,813	20,837,167
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	23,568,407

Table 3

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

Fiscal Year	General Government		Parks, Recreation, and Cultural										Total
	Administration	Public Safety	Public Works	Health and Welfare	Recreation, and Cultural	Community Development	Capital Projects	Debt Service (2)					
2008-09	\$ 1,697,051	\$ 2,956,207	\$ 3,343,931	\$ 6,768	\$ 1,861,491	\$ 860,305	\$ 1,467	\$ 1,211,488	\$ 11,938,708				
2009-10	1,670,058	2,754,738	3,103,138	7,426	1,868,294	836,689	-	1,152,918	11,393,261				
2010-11	2,017,959	2,785,249	2,973,737	7,051	1,936,379	867,113	4,157	1,014,858	11,606,503				
2011-12	2,223,202	3,124,985	3,575,532	16,195	1,835,729	1,327,752	-	1,899,341	14,002,736				
2012-13	2,082,596	2,863,559	3,695,603	8,807	1,797,413	998,600	-	927,507	12,374,085				
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				

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

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

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2008-09	\$ 1,623,756	\$ 5,969,361	\$ 140,707	\$ 59,139	\$ 549,591	\$ 1,194,743	\$ 312,503	\$ 143,694	\$ 2,512,049	\$ 12,505,543
2009-10	1,618,701	5,479,318	131,545	48,018	521,621	1,088,555	384,756	16,581	2,903,291	12,192,386
2010-11	1,606,847	5,637,844	135,442	51,880	504,623	1,099,982	523,464	39,138	3,089,245	12,688,465
2011-12	1,584,011	5,986,032	130,591	56,260	525,249	1,088,954	363,895	32,358	3,492,233	13,259,583
2012-13	1,674,623	6,208,331	170,403	73,162	535,959	1,027,034	447,629	198,802	3,538,347	13,874,290
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

(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
2008-09	\$ 1,666,957	\$ 1,639,349	98.34%	\$ 16,315	\$ 1,655,664	99.32%	\$ 55,007	3.30%
2009-10	1,677,626	1,645,525	98.09%	17,735	1,663,260	99.14%	79,785	4.76%
2010-11	1,670,817	1,621,867	97.07%	25,899	1,647,766	98.62%	93,082	5.57%
2011-12	1,668,570	1,613,883	96.72%	19,586	1,633,469	97.90%	128,486	7.70%
2012-13	1,668,534	1,627,494	97.54%	76,026	1,703,520	102.10%	85,090	5.10%
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%

(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	
2008-09	\$ 766,175,970	\$ 146,226,226	\$ 25,648,614	\$ 25,663	\$ 938,076,473
2009-10	774,457,660	144,166,990	29,122,192	45,781	947,792,623
2010-11	780,360,645	138,668,979	27,223,533	93,702	946,346,859
2011-12	784,201,479	135,028,147	29,030,462	91,414	948,351,502
2012-13	778,870,700	136,520,057	31,842,008	106,972	947,339,737
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

(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
2008-09	\$	0.160	\$	0.280	\$ 0.160	\$ 0.280
2009-10		0.160		0.280	0.160	0.280
2010-11		0.160		0.280	0.160	0.280
2011-12		0.160		0.280	0.160	0.280
2012-13		0.160		0.280	0.160	0.280
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

(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
2008-09	7,804	\$ 938,076	\$ 24,139,045	2.57%	\$ 3,093
2009-10	7,804	947,793	23,202,621	2.45%	2,973
2010-11	8,211	946,347	22,390,991	2.37%	2,727
2011-12	8,211	948,352	21,636,125	2.28%	2,635
2012-13	8,211	947,340	21,493,275	2.27%	2,618
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

(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
2008-09	\$ 545,887	\$ 665,601	\$ 1,211,488	\$ 11,938,708	10.15%
2009-10	512,937	639,981	1,152,918	11,393,261	10.12%
2010-11	396,490	618,368	1,014,858	11,606,503	8.74%
2011-12	1,306,243	593,098	1,899,341	14,002,736	13.56%
2012-13	341,815	585,692	927,507	12,374,085	7.50%
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%

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

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

Table 10

Town of Wytheville, Virginia
Computation of Legal Debt Margin
June 30, 2018

Assessed valuations:		
Assessed value (real estate)		<u>\$ 819,838,675</u>
Legal debt margin		
Debt limitation - 10 percent of total assessed value		\$ 81,983,868
Debt applicable to limitation:		
Net bonded debt	(21,844,211)	
Total debt applicable to limitation	<u></u>	<u>(21,844,211)</u>
Legal debt margin		<u>\$ 60,139,657</u>

Compliance

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wytheville, Virginia as of and for the year ended June 30, 2018, 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 25, 2018.

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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses. [2018-002]

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, responses, and questioned costs as items [2018-001].

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

Purpose of this Report

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

Polina, Fane, Cox Associates

Blacksburg, Virginia
November 25, 2018

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Wytheville, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Wytheville, Virginia's major federal programs for the year ended June 30, 2018. Town of Wytheville, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Wytheville, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Wytheville, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Town of Wytheville, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

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

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

Polina, Fane, Cox Associates

Blacksburg, Virginia
November 25, 2018

Town of Wytheville, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
United States Department of Agriculture: Direct payment:			
Rural Business Development Grant	10.351	Not available	\$ <u>75,000</u>
Department of Housing and Urban Development: Pass-through payments:			
Department of Housing and Community Development: Community Development Block Grants/State's Program and Non- Entitlement Grants in Hawaii	14.228	Not available	\$ <u>22,378</u>
Department of Transportation: Pass-through payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.000	154AL-2018 58340 154AL-2017 57366	\$ <u>25,612</u>
Virginia Department of Transportation:			
Highway Planning and Construction	20.205	EN09-139-103, P101,C501, EN07-139-102,P101,C501 EN07-139-243, C502	<u>1,237,795</u>
Total Department of Transportation			\$ <u>1,263,407</u>
Total Expenditures of Federal Awards			\$ <u><u>1,360,785</u></u>

NOTE 1--BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Town of Wytheville, Virginia under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Town of Wytheville, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of Town of Wytheville, Virginia.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.
- (3) The Town did not elect the 10% de minimis indirect cost rate because they only request direct costs for reimbursement.

NOTE 3--SUBRECIPIENTS:

The Town did not have any subrecipients for the year ended June 30, 2018.

NOTE 4--RELATIONSHIP TO THE FINANCIAL STATEMENTS:

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

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

General Fund	\$ 1,369,667
Less: Payment in Lieu	(8,882)
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>1,360,785</u></u>

Town of Wytheville, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section, 220.516(a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning & Construction

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
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Auditee qualified as low-risk auditee?	No
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Town of Wytheville, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section II - Financial Statement Findings

2018-001

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 being 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 2019.

2018-002

Criteria:	Per Statement on Auditing Standards 115, identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.
Condition:	The Town's financial statements required material adjustments by the auditors to ensure such statements complied with Generally Accepted Accounting Principles.
Cause of Condition:	The Town has historically relied on the auditors for assistance in preparing the financial statements and related adjustments.
Effect of Condition:	There is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	Management should work towards making all necessary entries and adjustments.
Management's Response:	The Town Treasurer will continue to work with the auditors to learn how to make the necessary entries to be able to provide an adjusted trial balance at the time of the audit.

Town of Wytheville, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings and Questioned Costs

None