

TOWN OF WYTHEVILLE, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

TOWN OF WYTHEVILLE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
List of Elected and Appointed Officials	1

FINANCIAL SECTION

Independent Auditors' Report	2-4
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	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	5
Statement of Activities	2	6
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	7
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4	8
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	5	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	6	10
Statement of Net Position - Proprietary Funds	7	11
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	8	12
Statement of Cash Flows - Proprietary Funds.....	9	13
Statement of Fiduciary Net Position - Fiduciary Funds.....	10	14
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	11	15
Notes to Financial Statements		16-60
Required Supplementary Information:		
Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual:		
General Fund	12	61
Schedule of OPEB Funding Progress	13	62
Schedule of the Town's Proportionate Share of the Net Pension Liability	14	63
Schedule of Contribution Requirements.....	15	64
Notes to Required Supplementary Information	16	65

TOWN OF WYTHEVILLE, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (CONTINUED)

	<u>Schedule</u>	<u>Page</u>
Other Supplementary Information:		
Combining and Individual Fund Financial Statements and Schedules:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	17	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	18	67
Supporting Schedules:		
Schedule of Revenues - Budget and Actual - Governmental Funds	1	68-71
Schedule of Expenditures - Budget and Actual - Governmental Funds	2	72-74
Other Statistical Information:		
	<u>Table</u>	<u>Page</u>
Government-wide Information:		
Government-wide Expenses by Function	1	75
Government-wide Revenues.....	2	76
Fund Information:		
General Governmental Expenditures by Function	3	77
General Governmental Revenues by Source	4	78
Property Tax Levies and Collections	5	79
Assessed Value of Taxable Property	6	80
Property Tax Rates.....	7	81
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	8	82
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures.....	9	83
Computation of Legal Debt Margin	10	84

COMPLIANCE SECTION

	<u>Page</u>
Compliance:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	85-86
Schedule of Findings and Responses	87

INTRODUCTORY SECTION

TOWN OF WYTHEVILLE, VIRGINIA

TOWN COUNCIL

Trenton G. Crewe, Jr., Mayor

Jacqueline K. King

Thomas F. Hundley

H. Judson Lambert

William B. Weisiger

OTHER OFFICIALS

C. Wayne Sutherland, Jr.

Stephen A. Moore

Michael G. Stephens

Sharon G. Corvin

Robert Kaase

Town Manager

Assistant Town Manager

Town Treasurer

Town Clerk

Town Attorney

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wytheville, Virginia, as of and for the year ended June 30, 2016, 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 18 to the financial statements, in 2016, the Town adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application and 82 Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73. 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 61 and 62-65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Wytheville, Virginia, 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.

Other Information (continued)

The combining and individual fund financial statements and schedules 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 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 10, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Wytheville, Virginia internal control over financial reporting and compliance.

Robinson, Turner, Co. Associates

Blacksburg, Virginia
November 10, 2016

Basic Financial Statements

Town of Wytheville, Virginia
Statement of Net Position
June 30, 2016

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 19,937,589	\$ 1,949,004	\$ 21,886,593
Receivables (net of allowance for uncollectibles):			
Taxes receivable	89,803	-	89,803
Accounts receivable	578,638	721,005	1,299,643
Internal balances	1,013,532	(1,013,532)	-
Due from other governmental units	201,284	-	201,284
Noncurrent assets:			
Restricted cash, cash equivalents, and investments:			
Cash and cash equivalents	519,223	43,463	562,686
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	15,948,357	20,371,726	36,320,083
Machinery and equipment	1,391,379	264,045	1,655,424
Construction in progress	272,423	1,444,311	1,716,734
Total assets	<u>\$ 41,524,506</u>	<u>\$ 24,038,096</u>	<u>\$ 65,562,602</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 9,928	\$ 45,230	\$ 55,158
Items related to measurement of net pension liability	447,681	88,256	535,937
Total deferred outflows of resources	<u>\$ 457,609</u>	<u>\$ 133,486</u>	<u>\$ 591,095</u>
LIABILITIES			
Accounts payable	\$ 318,413	\$ 62,623	\$ 381,036
Accrued payroll/fringes	495,074	90,871	585,945
Customer deposits	17,699	-	17,699
Retainage payable	-	64,808	64,808
Accrued interest payable	79,892	106,164	186,056
Long-term liabilities:			
Due within one year	1,502,769	1,376,878	2,879,647
Due in more than one year	14,454,674	14,423,133	28,877,807
Liabilities payable from restricted assets	-	43,463	43,463
Total liabilities	<u>\$ 16,868,521</u>	<u>\$ 16,167,940</u>	<u>\$ 33,036,461</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 3,721	\$ -	\$ 3,721
Items related to measurement of net pension liability	629,055	126,964	756,019
Total deferred inflows of resources	<u>\$ 632,776</u>	<u>\$ 126,964</u>	<u>\$ 759,740</u>
NET POSITION			
Net investment in capital assets	\$ 6,895,438	\$ 7,018,596	\$ 13,914,034
Unrestricted	17,585,380	858,082	18,443,462
Total net position	<u>\$ 24,480,818</u>	<u>\$ 7,876,678</u>	<u>\$ 32,357,496</u>

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

Town of Wytheville, Virginia
Statement of Activities
For the Year Ended June 30, 2016

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	\$ 2,354,593	\$ 37,278	\$ -	\$ -	\$ (2,317,315)	\$ -	\$ (2,317,315)
Public safety	3,327,511	203,195	273,487	-	(2,850,829)	-	(2,850,829)
Public works	4,131,591	103,936	2,449,047	-	(1,578,608)	-	(1,578,608)
Health and welfare	12,030	-	-	-	(12,030)	-	(12,030)
Parks, recreation, and cultural	1,910,471	958,872	18,360	-	(933,239)	-	(933,239)
Community development	1,500,540	4,295	77,085	-	(1,419,160)	-	(1,419,160)
Interest on long-term debt	302,612	-	-	-	(302,612)	-	(302,612)
Total governmental activities	\$ 13,539,348	\$ 1,307,576	\$ 2,817,979	\$ -	\$ (9,413,793)	\$ -	\$ (9,413,793)
Business-type activities:							
Water and sewer	\$ 5,730,156	\$ 6,194,135	\$ -	\$ -	\$ -	\$ 463,979	\$ 463,979
Total primary government	\$ 19,269,504	\$ 7,501,711	\$ 2,817,979	\$ -	\$ (9,413,793)	\$ 463,979	\$ (8,949,814)
General revenues:							
General property taxes					\$ 1,616,235	\$ -	\$ 1,616,235
Local sales and use taxes					557,845	-	557,845
Consumers' utility taxes					237,936	-	237,936
Business license taxes					1,216,582	-	1,216,582
Bank stock taxes					367,296	-	367,296
Hotel and motel room taxes					1,413,968	-	1,413,968
Restaurant food taxes					2,978,085	-	2,978,085
Tobacco tax					250,432	-	250,432
Other local taxes					177,516	-	177,516
Unrestricted revenues from use of money and property					470,132	12,344	482,476
Miscellaneous					545,488	36,861	582,349
Grants and contributions not restricted to specific programs					545,917	-	545,917
Total general revenues					\$ 10,377,432	\$ 49,205	\$ 10,426,637
Change in net position					\$ 963,639	\$ 513,184	\$ 1,476,823
Net position - beginning					23,517,179	7,363,494	30,880,673
Net position - ending					\$ 24,480,818	\$ 7,876,678	\$ 32,357,496

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

Town of Wytheville, Virginia
Balance Sheet
Governmental Funds
June 30, 2016

	<u>General</u>	Other Governmental <u>Funds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 19,586,385	\$ 351,204	\$ 19,937,589
Receivables (net of allowance for uncollectibles):			
Taxes receivable	89,803	-	89,803
Accounts receivable	578,638	-	578,638
Due from other funds	1,018,410	-	1,018,410
Due from other governmental units	201,284	-	201,284
Total assets	<u>\$ 21,474,520</u>	<u>\$ 351,204</u>	<u>\$ 21,825,724</u>
LIABILITIES			
Accounts payable	\$ 318,349	\$ 64	\$ 318,413
Accrued wages	495,074	-	495,074
Customer deposits	17,699	-	17,699
Due to other funds	4,878	-	4,878
Total liabilities	<u>\$ 836,000</u>	<u>\$ 64</u>	<u>\$ 836,064</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	<u>\$ 86,534</u>	<u>\$ -</u>	<u>\$ 86,534</u>
FUND BALANCES			
Committed:			
Debt service	\$ 5,000,000	\$ -	\$ 5,000,000
Rainy day	6,000,000	-	6,000,000
Special revenue funds	-	343,186	343,186
Assigned:			
Capital projects funds	2,500,000	7,954	2,507,954
Unassigned	7,051,986	-	7,051,986
Total fund balances	<u>\$ 20,551,986</u>	<u>\$ 351,140</u>	<u>\$ 20,903,126</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,474,520</u>	<u>\$ 351,204</u>	<u>\$ 21,825,724</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, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 20,903,126

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	15,948,357	
Machinery and equipment	1,391,379	
Construction in progress	<u>272,423</u>	19,184,437

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	\$ 82,813	
Items related to measurement of net pension liability	<u>(629,055)</u>	(546,242)

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. 519,223

Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds. 447,681

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	\$ (11,899,323)	
Less deferred charge on refunding	9,928	
Compensated absences	(1,104,312)	
Capital leases	(399,604)	
Landfill accrued closure/post-closure costs	(430,536)	
Accrued interest payable	(79,892)	
Net OPEB obligation	(384,700)	
Net pension liability	<u>(1,738,968)</u>	(16,027,407)

Net position of governmental activities \$ 24,480,818

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, 2016

	<u>General</u>	Other Governmental <u>Funds</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 1,653,110	\$ -	\$ 1,653,110
Other local taxes	7,199,660	-	7,199,660
Permits, privilege fees, and regulatory licenses	185,211	-	185,211
Fines and forfeitures	135,324	-	135,324
Revenue from the use of money and property	464,454	2,546	467,000
Charges for services	987,041	-	987,041
Miscellaneous	537,836	7,652	545,488
Recovered costs	120,747	-	120,747
Intergovernmental:			
Commonwealth	3,311,784	-	3,311,784
Federal	52,112	-	52,112
Total revenues	<u>\$ 14,647,279</u>	<u>\$ 10,198</u>	<u>\$ 14,657,477</u>
EXPENDITURES			
Current:			
General government administration	\$ 2,432,241	\$ -	\$ 2,432,241
Public safety	3,570,609	-	3,570,609
Public works	3,874,426	-	3,874,426
Health and welfare	9,757	2,273	12,030
Parks, recreation, and cultural	2,030,095	101	2,030,196
Community development	1,587,504	-	1,587,504
Nondepartmental	-	-	-
Capital projects	-	11,170	11,170
Debt service:			
Principal retirement	3,116,554	-	3,116,554
Bond issuance costs	-	-	-
Interest and other fiscal charges	309,511	-	309,511
Total expenditures	<u>\$ 16,930,697</u>	<u>\$ 13,544</u>	<u>\$ 16,944,241</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,283,418)</u>	<u>\$ (3,346)</u>	<u>\$ (2,286,764)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	\$ (94,000)	\$ -	\$ (94,000)
Issuance of general obligation bonds	2,468,148	-	2,468,148
Issuance of capital leases	321,749	-	321,749
Total other financing sources (uses)	<u>\$ 2,695,897</u>	<u>\$ -</u>	<u>\$ 2,695,897</u>
Net change in fund balances	\$ 412,479	\$ (3,346)	\$ 409,133
Fund balances - beginning	20,139,507	354,486	20,493,993
Fund balances - ending	<u>\$ 20,551,986</u>	<u>\$ 351,140</u>	<u>\$ 20,903,126</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, 2016

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

Net change in fund balances - total governmental funds	\$	409,133
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.

Capital asset additions	\$ 732,445	
Depreciation expense	(918,680)	(186,235)

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	\$ (36,875)	
Change in deferred inflows related to measurement of net pension liability	420,463	383,588

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:		
Issuance of general obligation refunding debt	\$ (2,468,148)	
Capital leases	(321,749)	
Principal repayments:		
General obligation bonds	3,005,991	
Capital leases	110,563	
Change in accrued landfill closure/postclosure cost	54,130	380,787

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	\$ (6,872)	
Change in accrued interest	7,663	
Amortization of deferred charge on refunding	(764)	
Change in net pension liability	(93,864)	
Change in deferred outflows related to pension payments subsequent to the measurement date	26,371	(67,466)

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.

43,832

Change in net position of governmental activities	\$	<u>963,639</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, 2016

	Enterprise Fund	Internal Service Fund
	Water and Sewer Fund	OPEB Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,949,004	\$ -
Accounts receivable, net of allowance for uncollectibles	721,005	-
Due from other funds	4,878	-
Total current assets	<u>\$ 2,674,887</u>	<u>\$ -</u>
Noncurrent assets:		
Restricted cash, cash equivalents, and investments:		
Cash and cash equivalents	\$ 43,463	\$ 519,223
Total restricted assets	<u>\$ 43,463</u>	<u>\$ 519,223</u>
Capital assets:		
Land	\$ 163,236	\$ -
Land rights	94,838	-
Construction in progress	1,444,311	-
Machinery and equipment	1,843,825	-
Utility plant in service	55,171,434	-
Less accumulated depreciation	(36,379,488)	-
Total capital assets	<u>\$ 22,338,156</u>	<u>\$ -</u>
Total noncurrent assets	<u>\$ 22,381,619</u>	<u>\$ 519,223</u>
Total assets	<u>\$ 25,056,506</u>	<u>\$ 519,223</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	\$ 45,230	\$ -
Items related to measurement of net pension liability	88,256	-
Total deferred outflows of resources	<u>\$ 133,486</u>	<u>\$ -</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 62,623	\$ -
Retainage payable	64,808	-
Accrued payroll/fringes	90,871	-
Accrued interest payable	106,164	-
Due to other funds	1,018,410	-
Compensated absences - current portion	111,787	-
Capital leases - current portion	96,124	-
Bonds payable - current portion	842,321	-
Amount due to Wythe County - current portion	326,646	-
Total current liabilities	<u>\$ 2,719,754</u>	<u>\$ -</u>
Current liabilities payable from restricted assets:		
Customer deposits payable	\$ 43,463	\$ -
Noncurrent liabilities:		
Capital leases - net of current portion	\$ 281,711	\$ -
Bonds payable - net of current portion	11,888,084	-
Compensated absences - net of current portion	37,262	-
Amount due to Wythe County - net of current portion	1,865,096	-
Net pension liability	350,980	-
Net OPEB obligation	-	384,700
Total noncurrent liabilities	<u>\$ 14,423,133</u>	<u>\$ 384,700</u>
Total liabilities	<u>\$ 17,186,350</u>	<u>\$ 384,700</u>
DEFERRED INFLOWS OF RESOURCES		
Items related to measurement of net pension liability	\$ 126,964	\$ -
NET POSITION		
Net investment in capital assets	\$ 7,018,596	\$ -
Unrestricted	858,082	134,523
Total net position	<u>\$ 7,876,678</u>	<u>\$ 134,523</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, 2016

	Enterprise Fund	Internal Service Fund
	<u>Water and Sewer Fund</u>	<u>OPEB Fund</u>
OPERATING REVENUES		
Charges for services:		
Water revenues	\$ 3,494,522	\$ -
Sewer revenues	2,655,480	-
Penalties	44,133	-
Miscellaneous	36,861	-
Total operating revenues	<u>\$ 6,230,996</u>	<u>\$ -</u>
OPERATING EXPENSES		
Salaries	\$ 1,141,410	\$ -
Fringe benefits	334,490	-
Professional services	291,846	-
Repair and maintenance	260,574	-
Operating materials and supplies	809,992	-
Permits, licenses and memberships	13,035	-
Utilities	472,887	-
Travel	3,104	-
Office supplies	5,026	-
Postal services	8,066	-
Insurance	14,730	10,500
Miscellaneous expenses	23,249	-
OPEB expense	-	42,800
Depreciation	1,441,489	-
Total operating expenses	<u>\$ 4,819,898</u>	<u>\$ 53,300</u>
Operating income (loss)	<u>\$ 1,411,098</u>	<u>\$ (53,300)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	\$ 12,344	\$ 3,132
Payment to NRRWA	(441,413)	-
Interest expense	(468,845)	-
Total nonoperating revenues (expenses)	<u>\$ (897,914)</u>	<u>\$ 3,132</u>
Income before transfers	<u>\$ 513,184</u>	<u>\$ (50,168)</u>
Transfers in	<u>-</u>	<u>94,000</u>
Change in net position	<u>\$ 513,184</u>	<u>\$ 43,832</u>
Total net position - beginning	7,363,494	90,691
Total net position - ending	<u><u>\$ 7,876,678</u></u>	<u><u>\$ 134,523</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, 2016

	Enterprise Fund	Internal Service Fund
	Water and Sewer Fund	OPEB Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 6,296,271	\$ -
Payments to suppliers	(1,927,259)	-
Payments to and for employees	(1,541,105)	(10,500)
Net cash provided by (used for) operating activities	<u>\$ 2,827,907</u>	<u>\$ (10,500)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	\$ (1,002,719)	\$ -
Transfers from other funds	-	94,000
Payment to NRRWA	(524,975)	-
Net cash provided by (used for) noncapital financing activities	<u>\$ (1,527,694)</u>	<u>\$ 94,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to capital assets	\$ (530,075)	\$ -
Proceeds from capital lease	98,024	-
Proceeds from bonds	87,493	-
Principal payments on bonds	(825,297)	-
Principal payments on capital lease	(76,388)	-
Contributions in aid of construction	24,491	-
Interest payments	(402,699)	-
Loan payments to other localities	(81,291)	-
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,705,742)</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	\$ 12,344	\$ 3,132
Net cash provided by (used for) investing activities	<u>\$ 12,344</u>	<u>\$ 3,132</u>
Net increase (decrease) in cash and cash equivalents	\$ (393,185)	\$ 86,632
Cash and cash equivalents - beginning - including restricted	2,385,652	432,591
Cash and cash equivalents - ending - including restricted	<u>\$ 1,992,467</u>	<u>\$ 519,223</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 1,411,098	\$ (53,300)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	\$ 1,441,489	\$ -
(Increase) decrease in accounts receivable	64,073	-
(Increase) decrease in items related to measurement of net pension liability - outflows	(3,222)	-
Increase (decrease) in compensated absences	4,623	-
Increase (decrease) in operating accounts payable	(24,750)	-
Increase (decrease) in items related to measurement of net pension liability - inflows	(84,863)	-
Increase (decrease) in net pension liability	18,944	-
Increase (decrease) in accrued payroll	(687)	-
Increase (decrease) in OPEB liability	-	42,800
Increase (decrease) in customer deposits	1,202	-
Total adjustments	<u>\$ 1,416,809</u>	<u>\$ 42,800</u>
Net cash provided by (used for) operating activities	<u>\$ 2,827,907</u>	<u>\$ (10,500)</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, 2016

	Agency Funds		
	New River Regional Water <u>Authority</u>	Memorial <u>Fund</u>	Perpetual Care <u>Trust Fund</u>
ASSETS			
Cash and cash equivalents	\$ 784,279	\$ 26,443	\$ 16,884
Investments	-	-	392,622
Total assets	<u>\$ 784,279</u>	<u>\$ 26,443</u>	<u>\$ 409,506</u>
LIABILITIES			
Held for New River Regional Water Authority	\$ 784,279	\$ -	\$ -
Held for tennis programs and cemetery expenditures	-	26,443	-
Total liabilities	<u>\$ 784,279</u>	<u>\$ 26,443</u>	<u>\$ -</u>
NET POSITION			
Held in trust for cemetery expenditures			<u>\$ 409,506</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, 2016

	<u>Perpetual Care Trust Fund</u>
ADDITIONS	
Contributions:	
Town	\$ 13,292
Total contributions	<u>\$ 13,292</u>
Investment earnings:	
Interest	\$ 6,812
Net increase (decrease) in the fair market value of investments	27,607
Net investment earnings	<u>\$ 34,419</u>
Total additions	<u>\$ 47,711</u>
DEDUCTIONS	
Expenses	<u>\$ 7,453</u>
Change in net position	\$ 40,258
Net position - beginning	369,248
Net position - ending	<u><u>\$ 409,506</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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. 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, 2016, the Town contributed \$441,413 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, 2016, the Town contributed \$31,875 to Crossroads Regional Industrial Facilities Authority. In addition, the Town received a payment of \$140,000 from Crossroads Regional Industrial Facilities Authority as a return of the Town portion of profits.

The Town along with the Counties of Wythe and Smyth participate in 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, 2016, the Town contributed \$29,000 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, 2016, the Town contributed \$192,113 to Joint Wythe Industrial Development Authority.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

B. Government-wide and fund financial statements:

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

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

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

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

Additionally, the government reports the following fund types:

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

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

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. Deposits and Investments

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

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 \$144,718 at June 30, 2016. The allowance consists of delinquent taxes in the amount of \$6,806 and delinquent water and sewer bills of \$137,912.

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016NOTE 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 two 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 contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, reference the pension note.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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 two 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 are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

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, 2016

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, 2016

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	\$ 332,226
Wall of Honor	<u>10,960</u>
Total Committed	<u>\$ 343,186</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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

A. Budgetary information: (Continued)

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, 2016, no departments had expenditures in excess of its appropriations.

C. Deficit fund equity:

At June 30, 2016, there were no funds with deficit fund equity.

NOTE 3 - DEPOSITS AND INVESTMENTS:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016NOTE 3 - DEPOSITS AND INVESTMENTS: (CONTINUED)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, 2016 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	\$ -	\$ 392,622

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	\$ 392,622	\$ -	\$ 392,622

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016NOTE 4 - FAIR VALUE MEASUREMENTS: (CONTINUED)

The Town has the following recurring fair value measurements as of June 30, 2016:

	6/30/2016	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				
IShares 7-10 Year Treasury Bond	\$ 392,622	\$ 392,622	\$ -	\$ -

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 \$76,854 and \$5,959, respectively, at June 30, 2016.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2016 but paid in advance by the taxpayers totaled \$3,721 at June 30, 2016.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016NOTE 6 - DUE FROM OTHER GOVERNMENTAL UNITS:

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

	Primary Government Governmental Activities
Commonwealth of Virginia	
Other Local Taxes	\$ 99,375
Noncategorical Aid	86,225
Other Categorical Aid	7,184
Federal Government	
Categorical Aid	8,500
Total Due from Other Governmental Units	\$ <u>201,284</u>

NOTE 7 - INTERFUND ACTIVITY:

Interfund transfers for the year ended June 30, 2016, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ (94,000)
OPEB Fund	94,000	-
Total	<u>\$ 94,000</u>	<u>\$ (94,000)</u>

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

<u>Fund</u>	<u>Due To</u>	<u>Due From</u>
General Fund	\$ 4,878	\$ 1,018,410
Water and Sewer Fund	(1,018,410)	(4,878)
Total	<u>\$ (1,013,532)</u>	<u>\$ 1,013,532</u>

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 year 2016, \$4,878 of principal was paid by the water and sewer fund on behalf of the general fund and \$1,000,000 was repaid to the general fund. Repayment terms of the remaining amounts have not been determined.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016NOTE 8 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2016 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	612,277	156,107	(495,961)	272,423
Total capital assets not being depreciated	<u>\$ 2,184,555</u>	<u>\$ 156,107</u>	<u>\$ (495,961)</u>	<u>\$ 1,844,701</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 20,803,802	\$ 495,961	\$ -	\$ 21,299,763
Machinery and equipment	5,845,237	576,338	(69,311)	6,352,264
Total capital assets being depreciated	<u>\$ 26,649,039</u>	<u>\$ 1,072,299</u>	<u>\$ (69,311)</u>	<u>\$ 27,652,027</u>
Accumulated depreciation:				
Buildings and improvements	\$ (4,840,828)	\$ (510,578)	\$ -	\$ (5,351,406)
Machinery and equipment	(4,622,094)	(408,102)	69,311	(4,960,885)
Total accumulated depreciation	<u>\$ (9,462,922)</u>	<u>\$ (918,680)</u>	<u>\$ 69,311</u>	<u>\$ (10,312,291)</u>
Total capital assets being depreciated, net	<u>\$ 17,186,117</u>	<u>\$ 153,619</u>	<u>\$ -</u>	<u>\$ 17,339,736</u>
Governmental activities capital assets, net	<u>\$ 19,370,672</u>	<u>\$ 309,726</u>	<u>\$ (495,961)</u>	<u>\$ 19,184,437</u>

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TOWN OF WYTHEVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016NOTE 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	1,418,329	25,982	-	1,444,311
Total capital assets not being depreciated	<u>\$ 1,676,403</u>	<u>\$ 25,982</u>	<u>\$ -</u>	<u>\$ 1,702,385</u>
Capital assets, being depreciated:				
Utility plant and equipment	\$ 54,806,151	\$ 365,283	\$ -	\$ 55,171,434
Machinery and equipment	1,642,323	201,502	-	1,843,825
Total capital assets being depreciated	<u>\$ 56,448,474</u>	<u>\$ 566,785</u>	<u>\$ -</u>	<u>\$ 57,015,259</u>
Accumulated depreciation:				
Utility plant and equipment	\$ (33,459,785)	\$ (1,339,925)	\$ -	\$ (34,799,710)
Machinery and equipment	(1,478,214)	(101,564)	-	(1,579,778)
Total accumulated depreciation	<u>\$ (34,937,999)</u>	<u>\$ (1,441,489)</u>	<u>\$ -</u>	<u>\$ (36,379,488)</u>
Total capital assets being depreciated, net	<u>\$ 21,510,475</u>	<u>\$ (874,704)</u>	<u>\$ -</u>	<u>\$ 20,635,771</u>
Business-type activities capital assets, net	<u>\$ 23,186,878</u>	<u>\$ (848,722)</u>	<u>\$ -</u>	<u>\$ 22,338,156</u>

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

Governmental activities:	
General government administration	\$ 54,335
Public safety	190,367
Public works	601,933
Parks, recreation, and cultural	<u>72,045</u>
Total depreciation expense-governmental activities	<u>\$ 918,680</u>
Business-type activities:	
Water and Sewer	<u>\$ 1,441,489</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016NOTE 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, 2016:

	Balance July 1, 2015	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2016
General obligation refunding bonds	\$ 12,437,166	\$ 2,468,148	\$ (3,005,991)	\$ 11,899,323
Capital leases (Note 10)	188,418	321,749	(110,563)	399,604
Promissory note	-	-	-	-
Net pension liability (Note 12)	1,645,104	1,764,962	(1,671,098)	1,738,968
Landfill postclosure monitoring liability (Note 11)	484,666	-	(54,130)	430,536
Net OPEB obligation (Note 15)	341,900	70,000	(27,200)	384,700
Compensated absences	1,097,440	829,952	(823,080)	1,104,312
	<u>\$ 16,194,694</u>	<u>\$ 5,454,811</u>	<u>\$ (5,692,062)</u>	<u>\$ 15,957,443</u>

Current refundings:

The Town issued \$2,468,148 of general obligation refunding bonds for a current refunding of \$2,468,148 of general obligation refunding bonds of the Town. The refunding was undertaken to replace taxable bonds with tax-exempt bonds and to reduce total future debt service payments. The reacquisition price was equal to the net carrying amount of the old debt.

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

Year Ending June 30,	General Obligation Refunding Bonds	
	Principal	Interest
2017	\$ 535,192	\$ 264,908
2018	547,325	252,737
2019	548,743	240,358
2020	555,686	227,933
2021	568,311	215,330
2022-2026	3,034,697	877,398
2027-2031	3,330,812	518,453
2032-2036	2,778,557	141,867
	<u>\$ 11,899,323</u>	<u>\$ 2,738,984</u>

TOWN OF WYTHEVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016NOTE 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
<u>General Obligation Bonds:</u>						
General Obligation Refunding Bond	2.24%	3/27/2015	4/1/2035	\$ 9,219,826	\$ 8,849,817	\$ 378,344
General Obligation Refunding Bond	2.45%	12/1/2014	2/1/2030	727,720	651,515	54,324
General Obligation Refunding Bond	2.24%	2/5/2016	3/27/2035	2,468,148	2,397,991	102,524
Total General Obligation Bonds					<u>\$ 11,899,323</u>	<u>\$ 535,192</u>
<u>Other Obligations:</u>						
Capital leases					\$ 399,604	\$ 139,343
Landfill postclosure liability					430,536	-
Net OPEB obligation					384,700	-
Net pension liability					1,738,968	-
Compensated absences					<u>1,104,312</u>	<u>828,234</u>
Total Other Obligations					<u>\$ 4,058,120</u>	<u>\$ 967,577</u>
Total Long-term Obligations					<u>\$ 15,957,443</u>	<u>\$ 1,502,769</u>

Business-type Activities Indebtedness:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2016:

	Balance July 1, 2015	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2016
General obligation bonds	\$ 4,789,645	\$ 87,493	\$ (113,482)	\$ 4,763,656
General obligation refunding bonds	8,678,564	-	(711,815)	7,966,749
Capital leases (Note 10)	356,199	98,024	(76,388)	377,835
Amount due to Wythe Co.	2,031,683	241,350	(81,291)	2,191,742
Net pension liability (Note 12)	332,036	356,226	(337,282)	350,980
Compensated absences	144,426	112,943	(108,320)	149,049
	<u>\$ 16,332,553</u>	<u>\$ 896,036</u>	<u>\$ (1,428,578)</u>	<u>\$ 15,800,011</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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
2017	\$ 114,563	\$ 111,810	\$ 727,758	\$ 180,936
2018	117,446	108,926	743,395	164,027
2019	120,403	105,970	696,832	147,146
2020	123,435	102,937	679,735	131,225
2021	126,546	99,827	697,103	115,564
2022-2026	682,245	449,616	2,924,248	340,241
2027-2031	772,880	358,981	1,312,677	94,909
2032-2036	612,105	268,635	185,001	9,445
2037-2041	602,556	202,884	-	-
2042-2046	674,233	131,207	-	-
2047-2051	754,436	51,004	-	-
2052-2056	62,808	321	-	-
Totals	<u>\$ 4,763,656</u>	<u>\$ 1,992,118</u>	<u>\$ 7,966,749</u>	<u>\$ 1,183,493</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016NOTE 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	2032	\$ 4,105,000	\$ 3,928,245	\$ 73,457
General Obligation Bonds	2.73%	12/2/2011	2025	964,540	835,411	41,106
General Obligation Bonds	2.45%	12/1/2014	2030	4,470,280	3,821,317	318,626
General Obligation Bonds	2.20%	12/1/2014	2025	4,127,500	3,396,568	377,117
General Obligation Bonds	2.24%	3/27/2015	2035	780,174	748,864	32,015
Total General Obligation Bonds					\$ 12,730,405	\$ 842,321
Other Obligations:						
Capital Leases					\$ 377,835	\$ 96,124
Amount due to Wythe Co. (1)					2,191,742	326,646
Net Pension Liability					350,980	-
Compensated Absences					149,049	111,787
Total Other Obligations					\$ 3,069,606	\$ 534,557
Total Long-term Obligations					\$ 15,800,011	\$1,376,878

(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.

NOTE 10 - CAPITAL LEASES:Governmental activities:

The Town has entered into lease agreements to finance the acquisition of a refuse truck, a Ford Police Interceptor, 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	Refuse Truck	Ford Interceptor	Communications Equipment	Total
Assets	\$ 186,399	\$ 112,706	\$ 27,677	\$ 326,747	\$ 653,529
Less: Accumulated Depreciation	(74,560)	(20,395)	(5,535)	(46,678)	(147,168)
Total	\$ 111,839	\$ 92,311	\$ 22,142	\$ 280,069	\$ 506,361

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016NOTE 10 - CAPITAL LEASES: (CONTINUED)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, were as follows:

Year Ending June 30,	Police Vehicles	Refuse Truck	Ford Interceptor	Communications Equipment	Total
2017	\$ 65,338	\$ 23,257	\$ -	\$ 65,630	\$ 154,225
2018	-	11,628	9,813	65,630	87,071
2019	-	-	-	65,630	65,630
2020	-	-	-	65,630	65,630
2021	-	-	-	65,630	65,630
Total	\$ 65,338	\$ 34,885	\$ 9,813	\$ 328,150	\$ 438,186
Less, amount representing interest	(3,259)	(644)	(599)	(34,080)	(38,582)
Present Value of Lease Agreement	\$ 62,079	\$ 34,241	\$ 9,214	\$ 294,070	\$ 399,604

Business-type activities:

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

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	(36,610)	(21,783)	(58,393)
Total	\$ 512,533	\$ 87,133	\$ 599,666

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016NOTE 10 - CAPITAL LEASES: (CONTINUED)Business-type activities: (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, were as follows:

Year Ending June 30,	Meter Reading System	Communications Equipment	Total
2017	\$ 83,216	\$ 21,877	\$ 105,093
2018	83,216	21,877	\$ 105,093
2019	83,216	21,877	\$ 105,093
2020	41,608	21,877	\$ 63,485
2021	-	21,877	\$ 21,877
Total	\$ 291,256	\$ 109,385	\$ 400,641
Less, amount representing interest	(11,447)	(11,359)	(22,806)
Present Value of Lease Agreement	\$ 279,809	\$ 98,026	\$ 377,835

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 2012, total postclosure monitoring costs are estimated to be \$430,536. This estimate is based on ten years of monitoring starting with fiscal year 2012 and ending in fiscal year 2022. The amount is based on what it would cost to perform all postclosure in 2016. 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016NOTE 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.</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, 2016

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. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</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, 2016

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 Contributions 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, 2016

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 Contributions 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, 2016

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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</p> <p>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</p> <p>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</p> <p><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, 2016

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, 2016

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

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage 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.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>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. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> •Hybrid Retirement Plan members are ineligible for ported service. •The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. •Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 12 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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 contribution rate for the year ended June 30, 2016 was 8.71% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 \$535,937 and \$517,261 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

At June 30, 2016, the Town reported a liability of \$2,089,948 for its proportionate share of the net pension liability. The Town's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015. The Town's proportionate share of the same was calculated using contributions to the plan as of June 30, 2016 as a basis for allocation. At June 30, 2015 and 2014, the Town's proportion was 97.89% and 97.89%, respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016NOTE 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, 2014, 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, 2015.

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: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 12 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

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

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

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

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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.

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NOTE 12 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees (Continued)

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016NOTE 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:

<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>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016NOTE 12 - PENSION PLAN: (CONTINUED)*Discount Rate*

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

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:

Town's proportionate share of the net pension liability(asset)	Rate		
	(6.00%)	(7.00%)	(8.00%)
Governmental Activities	\$ 4,397,782	\$ 1,738,968	\$ (460,153)
Business-type Activities	887,612	350,980	(92,874)

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016NOTE 12 - PENSION PLAN: (CONTINUED)*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2016, the Town recognized pension expense of \$94,711 and \$19,116 in the Governmental Activities and Business-type Activities, respectively. 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, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities		Business-type Activities	
	Deferred	Deferred	Deferred	Deferred
	Outflows of	Inflows of	Outflows of	Inflows of
	Resources	Resources	Resources	Resources
Differences between expected and actual experience	\$ -	\$ 169,113	\$ -	\$ 34,132
Net difference between projected and actual earnings on pension plan investments	-	459,942	-	92,832
Employer contributions subsequent to the measurement date	447,681	-	88,256	-
Total	\$ 447,681	\$ 629,055	\$ 88,256	\$ 126,964

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

\$447,681 and \$88,256 in the governmental activities and business-type activities, respectively, 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, 2017. 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:

Year ended June 30,	Governmental Activities	Business-type Activities
2017	\$ (231,518)	\$ (46,728)
2018	(231,518)	(46,728)
2019	(231,517)	(46,728)
2020	65,498	13,220

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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:

Clorendon National Insurance Company

All Town Employees - blanket bond	\$ 1,000,000
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NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS:

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

A. Plan Description:

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

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

B. Funding Policy:

The Town currently pays for the post-retirement health care benefits on a pay-as-you-go basis. The Town currently has 143 employees that are eligible for the program. In addition, for retirees' pre 65 years of age, retiree pays active employee rate. For retirees 65 years of age and above, retiree pays full cost of Medicare Supplement. Retiree at any age must pay 100% of spousal employee premium. All coverage ceases at retiree's death. For fiscal year 2016, the Town contributed \$27,200 in total for current premiums and prefunding amounts.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

B. Funding Policy: (Continued)

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

	Key Advantage Expanded	Key Advantage 250
Pre-Medicare Eligible		
Retiree	\$ 650	\$ 598
Retiree+Spouse	1,203	1,106
Family	1,755	1,615
	Advantage 65	Key Advantage 250
Post-Medicare Eligible		
Retiree	\$ 190	\$ 190

C. Annual OPEB Cost and Net OPEB Obligation:

The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution* of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation:

Annual required contribution	\$ 70,000
Interest on net OPEB obligation	14,000
Adjustment to annual required contribution	(14,000)
Annual OPEB cost (expense)	70,000
Contributions made	(27,200)
Increase in net OPEB obligation	42,800
Net OPEB obligation - beginning of year	341,900
Net OPEB obligation - end of year	\$ 384,700

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 66,654	30%	\$ 297,700
6/30/2015	68,000	35%	341,900
6/30/2016	70,000	39%	384,700

D. Funded Status and Funding Progress:

The funded status of the Plan for the Town as of the most recent actuarial valuation dated July 1, 2013 is as follows:

Actuarial accrued liability (AAL)	\$ 826,800
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 826,800
Funded ratio (actuarial value of plan assets / AAL)	0.00%
Covered payroll (active plan members)	\$ 5,377,000
UAAL as a percentage of covered payroll	15.38%

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

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

E. Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

E. Actuarial Methods and Assumptions: (Continued)

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

In the July 1, 2013 actuarial valuation, the Entry Age Normal cost method was used. Under this method, the actuarial present value of projected benefits of every active participant as if the Plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service: inflations at 2.50%, plus productivity component of 1.25%, and investment's rate of return at 4.00%, and a health care trend rate of 8.50% graded to 5.00% over 7 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at July 1, 2013 was 30 years.

NOTE 16 - LITIGATION:

As of June 30, 2016, there were no matters of litigation involving the Town which would materially affect the Town's financial position should an court decisions on pending matters not be favorable.

NOTE 17 - COMMITMENTS AND CONTINGENCIES:

At June 30, 2016, the following construction commitments were outstanding:

<u>Project</u>	<u>Total Due</u>	<u>Retainage</u>	<u>Net Amount Due</u>
Business-type Activities			
WWTP Co-Generation Project	\$ 64,808	\$ 64,808	\$ -

On August 10, 2016, the County of Wythe, Virginia abated machinery and tools taxes on a large company in Town limits. As of the date of the release of this report, the Town had not received the abatement to be processed on its side of the assessment. The abatement was for 2012 and 2013 machinery and tools taxes and amounted to \$360,916 for the County. The Town could be responsible for its portion of the abatement through an agreement with the Crossroads Regional Industrial Facilities Authority. Town management is not sure of how these refunds will be handled through the Crossroads Regional Industrial Facilities Authority and, thus, no liability has been booked.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 18 – ADOPTION OF ACCOUNTING PRINCIPLES:

Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*

The Town implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the Town to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the Town's financial statement as a result of the implementation of Statement No. 72. All required disclosures are located in Note 4.

Governmental Accounting Standards Board Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*

The Town early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

NOTE 19 – UPCOMING PRONOUNCEMENTS:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 19 - UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

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, 2016

	Budgeted Amounts			Variance with Final Budget - Positive Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 1,557,200	\$ 1,557,200	\$ 1,653,110	\$ 95,910
Other local taxes	6,643,500	6,643,500	7,199,660	556,160
Permits, privilege fees, and regulatory licenses	143,100	143,100	185,211	42,111
Fines and forfeitures	105,000	105,000	135,324	30,324
Revenue from the use of money and property	370,600	370,600	464,454	93,854
Charges for services	996,280	996,280	987,041	(9,239)
Miscellaneous	486,865	486,865	537,836	50,971
Recovered costs	148,480	148,480	120,747	(27,733)
Intergovernmental:				
Commonwealth	4,205,125	4,205,125	3,311,784	(893,341)
Federal	1,741,378	1,741,378	52,112	(1,689,266)
Total revenues	<u>\$ 16,397,528</u>	<u>\$ 16,397,528</u>	<u>\$ 14,647,279</u>	<u>\$ (1,750,249)</u>
EXPENDITURES				
Current:				
General government administration	\$ 6,164,010	\$ 4,845,810	\$ 2,432,241	\$ 2,413,569
Public safety	3,166,941	3,248,941	3,570,609	(321,668)
Public works	4,572,675	4,959,875	3,874,426	1,085,449
Health and welfare	9,000	10,000	9,757	243
Parks, recreation, and cultural	2,113,478	2,169,478	2,030,095	139,383
Community development	1,877,496	1,969,496	1,587,504	381,992
Debt service:				
Principal retirement	567,887	567,887	3,116,554	(2,548,667)
Interest and other fiscal charges	337,113	337,113	309,511	27,602
Total expenditures	<u>\$ 18,808,600</u>	<u>\$ 18,108,600</u>	<u>\$ 16,930,697</u>	<u>\$ 1,177,903</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,411,072)</u>	<u>\$ (1,711,072)</u>	<u>\$ (2,283,418)</u>	<u>\$ (572,346)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (24,000)	\$ (724,000)	\$ (94,000)	\$ 630,000
Issuance of general obligation bonds	-	-	2,468,148	2,468,148
Issuance of capital leases	-	-	321,749	321,749
Total other financing sources (uses)	<u>\$ (24,000)</u>	<u>\$ (724,000)</u>	<u>\$ 2,695,897</u>	<u>\$ 3,419,897</u>
Net change in fund balances	<u>\$ (2,435,072)</u>	<u>\$ (2,435,072)</u>	<u>\$ 412,479</u>	<u>\$ 2,847,551</u>
Fund balances - beginning	2,435,072	2,435,072	20,139,507	17,704,435
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,551,986</u>	<u>\$ 20,551,986</u>

Town of Wytheville, Virginia
Schedule of OPEB Funding Progress
For the Year Ended June 30, 2016

Postemployment Health Insurance Plan:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2013	\$ -	\$ 826,800	\$ 826,800	0.00%	\$ 5,377,000	15.38%
7/1/2010	-	645,600	645,600	0.00%	5,466,300	11.81%
7/1/2008	-	518,100	518,100	0.00%	5,116,686	10.13%

Town of Wytheville, Virginia
Schedule of the Town's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2016

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

Date	Proportion of the Net Pension Liability (NPL)	Proportionate Share of the NPL	Covered Payroll	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability
(1)	(2)	(3)	(4)	(5)	(6)
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
For the Year Ended June 30, 2016

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)
2016	\$ 535,937	\$ 535,937	-	\$ 6,314,454	8.49%
2015	517,261	517,261	-	5,967,595	8.67%

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
Notes to Required Supplementary Information
For the Year Ended June 30, 2016

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

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 was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 is not material.

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

Other Supplementary Information

Town of Wytheville, Virginia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue		Capital Projects		Total
	Homestead Endowment Fund	Wall of Honor Fund	CDBG Funds	Nonmajor Governmental Funds	
ASSETS					
Cash and cash equivalents	\$ 332,226	\$ 11,024	\$ 7,954	\$ 351,204	
Total assets	<u>\$ 332,226</u>	<u>\$ 11,024</u>	<u>\$ 7,954</u>	<u>\$ 351,204</u>	
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 64	\$ -	\$ 64	
Fund balances:					
Committed:					
Homestead Endowment	\$ 332,226	\$ -	\$ -	\$ 332,226	
Wall of Honor	-	10,960	-	10,960	
Assigned:					
Capital Projects	-	-	7,954	7,954	
Total fund balances	<u>\$ 332,226</u>	<u>\$ 10,960</u>	<u>\$ 7,954</u>	<u>\$ 351,140</u>	
Total liabilities and fund balances	<u>\$ 332,226</u>	<u>\$ 11,024</u>	<u>\$ 7,954</u>	<u>\$ 351,204</u>	

Town of Wytheville, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue		Capital Projects		Total
	Homestead Endowment Fund	Wall of Honor Fund	CDBG Funds	Nonmajor Governmental Funds	
REVENUES					
Revenue from the use of money and property	\$ 2,340	\$ 78	\$ 128	\$ 2,546	
Miscellaneous	5,425	250	1,977	7,652	
Total revenues	<u>\$ 7,765</u>	<u>\$ 328</u>	<u>\$ 2,105</u>	<u>\$ 10,198</u>	
EXPENDITURES					
Current:					
Health and welfare	\$ 2,273	\$ -	\$ -	\$ 2,273	
Parks, recreation, and cultural	-	101	-	101	
Capital projects	-	-	11,170	11,170	
Total expenditures	<u>\$ 2,273</u>	<u>\$ 101</u>	<u>\$ 11,170</u>	<u>\$ 13,544</u>	
Excess (deficiency) of revenues over (under) expenditures	\$ 5,492	\$ 227	\$ (9,065)	\$ (3,346)	
Net change in fund balances	\$ 5,492	\$ 227	\$ (9,065)	\$ (3,346)	
Fund balances - beginning	326,734	10,733	17,019	354,486	
Fund balances - ending	<u>\$ 332,226</u>	<u>\$ 10,960</u>	<u>\$ 7,954</u>	<u>\$ 351,140</u>	

Supporting Schedules

Town of Wytheville, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 1 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 1,225,000	\$ 1,225,000	\$ 1,284,034	\$ 59,034
Real and personal public service corporation taxes	50,000	50,000	58,519	8,519
Personal property taxes	163,500	163,500	181,218	17,718
Mobile home taxes	1,700	1,700	2,783	1,083
Machinery and tools taxes	105,000	105,000	98,485	(6,515)
Penalties	7,000	7,000	13,505	6,505
Interest	5,000	5,000	14,566	9,566
Total general property taxes	\$ 1,557,200	\$ 1,557,200	\$ 1,653,110	\$ 95,910
Other local taxes:				
Local sales and use taxes	\$ 500,000	\$ 500,000	\$ 557,845	\$ 57,845
Consumers' utility taxes	235,000	235,000	237,936	2,936
Consumption taxes	52,000	52,000	51,490	(510)
Business license taxes	1,100,000	1,100,000	1,216,582	116,582
Franchise license tax	13,000	13,000	-	(13,000)
Motor vehicle licenses	125,000	125,000	101,774	(23,226)
Tobacco tax	300,000	300,000	250,432	(49,568)
Bank stock taxes	300,000	300,000	367,296	67,296
Hotel and motel room taxes	1,225,000	1,225,000	1,413,968	188,968
Restaurant food taxes	2,776,000	2,776,000	2,978,085	202,085
Interest on local taxes	17,500	17,500	24,252	6,752
Total other local taxes	\$ 6,643,500	\$ 6,643,500	\$ 7,199,660	\$ 556,160
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 500	\$ 500	\$ 24	\$ (476)
Land use permits	500	500	311	(189)
Building permits	20,000	20,000	26,348	6,348
Electrical permits	5,000	5,000	9,268	4,268
Plumbing permits	4,000	4,000	5,662	1,662
Mechanical permits	5,000	5,000	5,928	928
Burial permits	30,000	30,000	40,910	10,910
Monument permits	1,200	1,200	1,165	(35)
Subdivision permits	200	200	900	700
Zoning permits	500	500	900	400
Refuse tags and disposal permits	75,000	75,000	90,621	15,621
Permits and other licenses	1,200	1,200	3,174	1,974
Total permits, privilege fees, and regulatory licenses	\$ 143,100	\$ 143,100	\$ 185,211	\$ 42,111
Fines and forfeitures:				
Court fines and forfeitures	\$ 45,000	\$ 45,000	\$ 40,107	\$ (4,893)
Parking fines	60,000	60,000	95,217	35,217
Total fines and forfeitures	\$ 105,000	\$ 105,000	\$ 135,324	\$ 30,324

Town of Wytheville, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 2 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 259,600	\$ 259,600	\$ 338,467	\$ 78,867
Revenue from use of property	111,000	111,000	125,987	14,987
Total revenue from use of money and property	<u>\$ 370,600</u>	<u>\$ 370,600</u>	<u>\$ 464,454</u>	<u>\$ 93,854</u>
Charges for services:				
Charges for false alarms	\$ 500	\$ 500	\$ -	\$ (500)
Charges for fire services	25,000	25,000	10,322	(14,678)
Charges for law enforcement	12,000	12,000	7,125	(4,875)
Charges for cemetery plots	19,500	19,500	20,070	570
Charges for restaurant signs	1,000	1,000	-	(1,000)
Charges for copies	1,000	1,000	2,589	1,589
Charges for animal control	100	100	20	(80)
Charges for gift shop	21,000	21,000	19,064	(1,936)
Charges for admissions	51,000	51,000	66,229	15,229
Charges for parks and recreation	842,955	842,955	811,434	(31,521)
Charges for weed cutting	10,500	10,500	13,315	2,815
Charges for special events	-	-	2,184	2,184
Charges for other services	11,725	11,725	34,689	22,964
Total charges for services	<u>\$ 996,280</u>	<u>\$ 996,280</u>	<u>\$ 987,041</u>	<u>\$ (9,239)</u>
Miscellaneous:				
Donation-WCCH Foundation	\$ -	\$ -	\$ 12,333	\$ 12,333
Donations	24,300	24,300	30,429	6,129
Miscellaneous	462,565	462,565	454,431	(8,134)
Virginia tourism grant	-	-	40,643	40,643
Total miscellaneous	<u>\$ 486,865</u>	<u>\$ 486,865</u>	<u>\$ 537,836</u>	<u>\$ 50,971</u>
Recovered costs:				
Recovered costs	<u>\$ 148,480</u>	<u>\$ 148,480</u>	<u>\$ 120,747</u>	<u>\$ (27,733)</u>
Total revenue from local sources	<u>\$ 10,451,025</u>	<u>\$ 10,451,025</u>	<u>\$ 11,283,383</u>	<u>\$ 832,358</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 12,000	\$ 12,000	\$ 9,562	\$ (2,438)
Mobile home titling tax	3,000	3,000	2,755	(245)
Motor vehicle rental tax	40,000	40,000	50,540	10,540
Telecommunication tax	425,000	425,000	413,102	(11,898)
Personal property tax relief funds	61,000	61,000	61,076	76
Total noncategorical aid	<u>\$ 541,000</u>	<u>\$ 541,000</u>	<u>\$ 537,035</u>	<u>\$ (3,965)</u>

Town of Wytheville, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 3 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Department of technology (E-911)	\$ -	\$ -	\$ 43,290	\$ 43,290
Fire programs	21,000	21,000	26,723	5,723
Highway maintenance	3,446,225	3,446,225	2,445,435	(1,000,790)
Law enforcement block grant	188,500	188,500	191,054	2,554
Litter control	3,400	3,400	3,552	152
Department of conservation and rec	-	-	13,360	13,360
Virginia commission for the arts	5,000	5,000	5,000	-
Virginia Brownfield Restoration and Economic Redevelopment	-	-	46,335	46,335
Total categorical aid	\$ 3,664,125	\$ 3,664,125	\$ 2,774,749	\$ (889,376)
Total revenue from the Commonwealth	\$ 4,205,125	\$ 4,205,125	\$ 3,311,784	\$ (893,341)
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	\$ -	\$ -	\$ 12,420	\$ 12,420
DOT TEA 21 grant	784,248	784,248	60	(784,188)
Community development block grant	680,000	680,000	30,750	(649,250)
VMGSIA Grant	268,250	268,250	-	(268,250)
Total categorical aid	\$ 1,732,498	\$ 1,732,498	\$ 43,230	\$ (1,689,268)
Total revenue from the federal government	\$ 1,741,378	\$ 1,741,378	\$ 52,112	\$ (1,689,266)
Total General Fund	\$ 16,397,528	\$ 16,397,528	\$ 14,647,279	\$ (1,750,249)
Special Revenue Funds:				
Homestead Endowment Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 2,340	\$ 2,340
Miscellaneous:				
Contributions	\$ -	\$ -	\$ 5,425	\$ 5,425
Total Homestead Endowment Fund	\$ -	\$ -	\$ 7,765	\$ 7,765
Wall of Honor Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 100	\$ 100	\$ 78	\$ (22)

Town of Wytheville, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

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	\$ 250	\$ (1,650)
Total Wall of Honor Fund	\$ 2,000	\$ 2,000	\$ 328	\$ (1,672)
Capital Projects Fund:				
CDBG Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 128	\$ 128
Miscellaneous:				
Contributions	\$ -	\$ -	\$ 1,977	\$ 1,977
Total CDBG Fund	\$ -	\$ -	\$ 2,105	\$ 2,105
Total Primary Government	\$ 16,399,528	\$ 16,399,528	\$ 14,657,477	\$ (1,742,051)

Town of Wytheville, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

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	\$ 1,098,315	\$ 698,315	\$ 662,381	\$ 35,934
General and financial administration:				
Town clerk	\$ 242,675	\$ 242,675	\$ 242,990	\$ (315)
Commission member	14,300	14,300	6,454	7,846
Town manager	153,501	153,501	150,121	3,380
Assistant town manager	127,270	127,270	125,727	1,543
Legal services	11,030	11,030	7,793	3,237
Independent services	45,000	45,000	38,400	6,600
Town treasurer	204,418	214,418	215,571	(1,153)
Automotive/motor pool	235,170	235,170	175,685	59,485
Engineering department	3,627,552	2,696,152	398,717	2,297,435
Human resources	136,084	138,284	139,484	(1,200)
Computer operations	266,695	266,695	265,761	934
Other general and financial administration	2,000	3,000	3,157	(157)
Total general and financial administration	\$ 5,065,695	\$ 4,147,495	\$ 1,769,860	\$ 2,377,635
Total general government administration	\$ 6,164,010	\$ 4,845,810	\$ 2,432,241	\$ 2,413,569
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 2,479,435	\$ 2,512,435	\$ 2,844,345	\$ (331,910)
Fire and rescue services:				
Fire department	\$ 492,285	\$ 535,285	\$ 541,043	\$ (5,758)
Inspections:				
Building	\$ 102,170	\$ 108,170	\$ 93,126	\$ 15,044
Other protection:				
Animal control	\$ 65,635	\$ 65,635	\$ 64,679	\$ 956
Transportation study grant	27,416	27,416	27,416	-
Total other protection	\$ 93,051	\$ 93,051	\$ 92,095	\$ 956
Total public safety	\$ 3,166,941	\$ 3,248,941	\$ 3,570,609	\$ (321,668)
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 1,633,360	\$ 1,769,360	\$ 1,488,464	\$ 280,896
Snow and ice removal	116,220	218,220	215,834	2,386
Streets, signs, and lights	523,490	523,490	482,402	41,088
Administration	76,385	77,385	77,585	(200)
Total maintenance of highways, streets, bridges and sidewalks	\$ 2,349,455	\$ 2,588,455	\$ 2,264,285	\$ 324,170
Sanitation and waste removal:				
Refuse collection and disposal	\$ 286,545	\$ 286,545	\$ 210,893	\$ 75,652

Town of Wytheville, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

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	\$ 165,345	\$ 165,345	\$ 139,257	\$ 26,088
Town hall	205,005	205,005	214,757	(9,752)
Community center and park	566,885	679,885	624,283	55,602
Parks	81,995	81,995	70,065	11,930
Emergency services buildings	63,750	97,750	94,914	2,836
Animal shelter	5,050	6,250	5,836	414
Weed control - mowing	168,645	168,645	164,725	3,920
Downtown main	680,000	680,000	85,411	594,589
Total maintenance of general buildings and grounds	\$ 1,936,675	\$ 2,084,875	\$ 1,399,248	\$ 685,627
Total public works	\$ 4,572,675	\$ 4,959,875	\$ 3,874,426	\$ 1,085,449
Health and welfare:				
Welfare:				
Tax relief for the elderly	\$ 9,000	\$ 10,000	\$ 9,757	\$ 243
Parks, recreation, and cultural:				
Parks and recreation:				
Community activities	\$ 17,225	\$ 17,225	\$ 4,682	\$ 12,543
Recreational programs	575,710	578,710	543,842	34,868
Swimming pools	14,550	14,550	9,904	4,646
Athletic programs	320,460	335,460	332,494	2,966
New community programs	123,055	123,055	122,178	877
Youth/Teen center	131,378	139,378	133,750	5,628
Fitness center	219,340	228,340	205,751	22,589
Nutrition	21,945	21,945	11,652	10,293
Cemeteries	201,680	201,680	200,179	1,501
Total parks and recreation	\$ 1,625,343	\$ 1,660,343	\$ 1,564,432	\$ 95,911
Cultural enrichment:				
E. Lee Trinkle visitor center	\$ 77,680	\$ 77,680	\$ 72,163	\$ 5,517
Museums and heritage education	119,890	119,890	102,952	16,938
Homestead museum	54,905	54,905	31,072	23,833
Museums and Heritage Center	235,660	256,660	259,476	(2,816)
Total cultural enrichment	\$ 488,135	\$ 509,135	\$ 465,663	\$ 43,472
Total parks, recreation, and cultural	\$ 2,113,478	\$ 2,169,478	\$ 2,030,095	\$ 139,383
Community development:				
Planning and community development:				
Director of public information	\$ 967,800	\$ 967,800	\$ 560,888	\$ 406,912
Chamber of commerce	136,230	161,230	122,542	38,688
Horticulture	115,945	138,945	162,136	(23,191)
Meeting Center	443,906	443,906	423,329	20,577
Main Street Project	-	-	48,389	(48,389)
Joint IDA	164,115	208,115	209,323	(1,208)
Planning and community development	-	-	7,439	(7,439)
Other community development	49,500	49,500	53,458	(3,958)
Total planning and community development	\$ 1,877,496	\$ 1,969,496	\$ 1,587,504	\$ 381,992
Total community development	\$ 1,877,496	\$ 1,969,496	\$ 1,587,504	\$ 381,992

Town of Wytheville, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 2
Page 3 of 3

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (continued)				
Debt service:				
Principal retirement	\$ 567,887	\$ 567,887	\$ 3,116,554	\$ (2,548,667)
Interest and other fiscal charges	337,113	337,113	309,511	27,602
Total debt service	<u>\$ 905,000</u>	<u>\$ 905,000</u>	<u>\$ 3,426,065</u>	<u>\$ (2,521,065)</u>
Total General Fund	<u>\$ 18,808,600</u>	<u>\$ 18,108,600</u>	<u>\$ 16,930,697</u>	<u>\$ 1,177,903</u>
	<u>\$ -</u>			
Homestead Endowment Fund:				
Health and welfare:				
Welfare and social services:				
Other welfare	\$ -	\$ -	\$ 2,273	\$ (2,273)
Total Homestead Endowment Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,273</u>	<u>\$ (2,273)</u>
Wall of Honor Fund:				
Parks, recreation, and cultural:				
Parks and recreation:				
Other parks and recreation	\$ 2,000	\$ 2,000	\$ 101	\$ 1,899
Total Wall of Honor Fund	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 101</u>	<u>\$ 1,899</u>
CDBG Fund:				
Capital projects expenditures:				
Capital projects expenditures	\$ -	\$ -	\$ 11,170	\$ (11,170)
Total CDBG Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,170</u>	<u>\$ (11,170)</u>
Total Primary Government	<u>\$ 18,810,600</u>	<u>\$ 18,110,600</u>	<u>\$ 16,944,241</u>	<u>\$ 1,166,359</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
2006-07	\$ 1,513,692	\$ 2,252,477	\$ 3,387,271	\$ 5,096	\$ 1,200,948	\$ 584,942	\$ 603,356	\$ 5,338,898	\$ 14,886,680
2007-08	1,679,294	2,655,638	3,307,485	13,237	1,914,984	849,741	684,441	5,473,375	16,578,195
2008-09	1,749,917	2,812,237	3,593,497	6,768	1,755,356	865,663	666,665	5,533,058	16,983,161
2009-10	1,753,803	2,741,033	3,607,367	7,426	1,905,998	842,390	637,665	5,849,682	17,345,364
2010-11	2,072,793	3,088,094	3,187,840	7,051	1,967,550	874,542	617,794	5,667,829	17,483,493
2011-12	1,810,037	3,040,482	4,376,870	16,195	1,838,014	1,331,548	592,141	5,394,734	18,400,021
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

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Fines and Forfeitures	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2006-07	\$ 5,180,124	\$ 2,383,769	\$ 547,433		\$ 1,180,184	\$ 5,935,622	\$ -	\$ 775,903	\$ 679,101	\$ 130,492	\$ 16,812,628
2007-08	6,020,604	2,382,195	-		1,566,495	6,152,682	-	733,359	86,111	120,657	17,062,103
2008-09	5,970,690	2,384,354	-		1,642,174	5,969,361	-	549,591	315,318	127,695	16,959,183
2009-10	5,912,685	2,345,899	-		1,638,257	5,479,318	-	521,621	384,756	557,392	16,839,928
2010-11	5,954,107	2,488,479	52,478		1,630,380	5,637,844	-	506,198	523,468	550,766	17,343,720
2011-12	6,218,235	2,932,482	40,438		1,622,277	5,986,032	-	527,647	365,800	559,751	18,252,662
2012-13	6,789,034	2,732,334	1,833,565		1,627,185	6,208,331	-	542,179	522,726	581,813	20,837,167
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

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

Fiscal Year	General Government		Parks, Recreation, and Cultural						Debt		Total
	Administration	Public Safety	Public Works	Health and Welfare	Recreation, and Cultural	Community Development	Capital Projects	Service (2)			
2006-07	\$ 1,625,204	\$ 2,511,889	\$ 2,862,275	\$ 5,096	\$ 1,305,235	\$ 575,764	\$ 6,260,369	\$ 903,745	\$ 16,049,577		
2007-08	1,769,720	2,667,804	3,293,887	13,237	1,868,329	850,405	122,071	2,195,211	12,780,664		
2008-09	1,697,051	2,956,207	3,343,931	6,768	1,861,491	860,305	1,467	1,211,488	11,938,708		
2009-10	1,670,058	2,754,738	3,103,138	7,426	1,868,294	836,689	-	1,152,918	11,393,261		
2010-11	2,017,959	2,785,249	2,973,737	7,051	1,936,379	867,113	4,157	1,014,858	11,606,503		
2011-12	2,223,202	3,124,985	3,575,532	16,195	1,835,729	1,327,752	-	1,899,341	14,002,736		
2012-13	2,082,596	2,863,559	3,695,603	8,807	1,797,413	998,600	-	927,507	12,374,085		
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		

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

(2) Excludes refunding amount 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
2006-07	\$ 1,223,926	\$ 5,935,622	\$ 143,265	\$ 85,537	\$ 775,903	\$ 711,083	\$ 679,101	\$ 172,325	\$ 2,999,261	\$ 12,726,023
2007-08	1,566,604	6,152,682	168,997	60,828	733,359	1,099,399	79,684	94,267	2,502,852	12,458,672
2008-09	1,623,756	5,969,361	140,707	59,139	549,591	1,194,743	312,503	143,694	2,512,049	12,505,543
2009-10	1,618,701	5,479,318	131,545	48,018	521,621	1,088,555	384,756	16,581	2,903,291	12,192,386
2010-11	1,606,847	5,637,844	135,442	51,880	504,623	1,099,982	523,464	39,138	3,089,245	12,688,465
2011-12	1,584,011	5,986,032	130,591	56,260	525,249	1,088,954	363,895	32,358	3,492,233	13,259,583
2012-13	1,674,623	6,208,331	170,403	73,162	535,959	1,027,034	447,629	198,802	3,538,347	13,874,290
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

(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
2006-07	\$ 1,295,414	\$ 1,252,435	96.68%	\$ 24,056	\$ 1,276,491	98.54%	\$ 40,725	3.14%
2007-08	1,597,819	1,573,653	98.49%	26,031	1,599,684	100.12%	48,380	3.03%
2008-09	1,666,957	1,639,349	98.34%	16,315	1,655,664	99.32%	55,007	3.30%
2009-10	1,677,626	1,645,525	98.09%	17,735	1,663,260	99.14%	79,785	4.76%
2010-11	1,670,817	1,621,867	97.07%	25,899	1,647,766	98.62%	93,082	5.57%
2011-12	1,668,570	1,613,883	96.72%	19,586	1,633,469	97.90%	128,486	7.70%
2012-13	1,668,534	1,627,494	97.54%	76,026	1,703,520	102.10%	85,090	5.10%
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%

(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					
2006-07	\$	556,901,460	\$	133,984,761	\$	22,839,288	\$	14,624	\$	713,740,133
2007-08		741,692,480		131,898,828		31,138,767		29,124		904,759,199
2008-09		766,175,970		146,226,226		25,648,614		25,663		938,076,473
2009-10		774,457,660		144,166,990		29,122,192		45,781		947,792,623
2010-11		780,360,645		138,668,979		27,223,533		93,702		946,346,859
2011-12		784,201,479		135,028,147		29,030,462		91,414		948,351,502
2012-13		778,870,700		136,520,057		31,842,008		106,972		947,339,737
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

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

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

Table 7

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

Fiscal Year			Personal Property	Public Utility	
				Real Estate	Personal Property
2006-07	\$	0.160	\$ 0.280	\$ 0.160	\$ 0.280
2007-08		0.160	0.280	0.160	0.280
2008-09		0.160	0.280	0.160	0.280
2009-10		0.160	0.280	0.160	0.280
2010-11		0.160	0.280	0.160	0.280
2011-12		0.160	0.280	0.160	0.280
2012-13		0.160	0.280	0.160	0.280
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

(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
2006-07	7,804	\$ 713,740	\$ 21,362,105	2.99%	\$ 2,737
2007-08	7,804	904,759	25,036,888	2.77%	3,208
2008-09	7,804	938,076	24,139,045	2.57%	3,093
2009-10	7,804	947,793	23,202,621	2.45%	2,973
2010-11	8,211	946,347	22,390,991	2.37%	2,727
2011-12	8,211	948,352	21,636,125	2.28%	2,635
2012-13	8,211	947,340	21,493,275	2.27%	2,618
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

(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
2006-07	\$ 193,262	\$ 710,483	\$ 903,745	\$ 16,049,577	5.63%
2007-08	1,525,223	669,988	2,195,211	12,780,664	17.18%
2008-09	545,887	665,601	1,211,488	11,938,708	10.15%
2009-10	512,937	639,981	1,152,918	11,393,261	10.12%
2010-11	396,490	618,368	1,014,858	11,606,503	8.74%
2011-12	1,306,243	593,098	1,899,341	14,002,736	13.56%
2012-13	341,815	585,692	927,507	12,374,085	7.50%
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%

(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, 2016

Assessed valuations:		
Assessed value (real estate)		<u>\$ 787,945,100</u>
Legal debt margin		
Debt limitation - 10 percent of total assessed value		\$ 78,794,510
Debt applicable to limitation:		
Net bonded debt	<u>(24,629,729)</u>	
Total debt applicable to limitation		<u>(24,629,729)</u>
Legal debt margin		<u>\$ 54,164,781</u>

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wytheville, Virginia as of and for the year ended June 30, 2016, 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 10, 2016.

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 were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses [2016-001].

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Wytheville, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Turner, Co. Associates

Blacksburg, Virginia
November 10, 2016

Town of Wytheville, Virginia

Schedule of Findings and Responses
For the Year Ended June 30, 2016

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?	No

2016-001

Criteria:	Per Statement on Auditing Standards 115 (SAS 115), identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness exists.
Condition:	The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.
Cause of Condition:	The Town contracted with a new consultant to prepare the Town's books for audit. The consultant will need a year or two to get familiarized with the Town's processes.
Effect of Condition:	There is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal controls over financial reporting.
Recommendation:	The Town should review the auditors' proposed audit adjustments for 2016 and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.
Management's Response:	As the Town's consultant becomes more familiar with the Town's processes, the books will require less adjustments by the auditors.

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings and Questioned Costs

None