

County of Wythe, Virginia

Financial Statements



Fiscal Year Ended June 30, 2016

COUNTY OF WYTHE, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

COUNTY OF WYTHE, VIRGINIA
 FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2016

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INTRODUCTORY SECTION

COUNTY OF WYTHE, VIRGINIA

BOARD OF SUPERVISORS

Timothy A. Reeves, Chair

Joe F. Hale, Vice Chair
Charlie G. Lester
Coy L. McRoberts

Gary M. Houseman
Steven T. Willis
B. G. "Gene" Horney, Jr.

R. Cellell Dalton, Clerk

COUNTY SCHOOL BOARD

Stephen R. Sage, Chair

Patricia S. Hines, Vice Chair
Tonya M. Freeman
Alan C. Wilder

Chalmer L. Frye
Lee H. Johnson
William S. Kidd

Sara F. Dickens, Clerk

SOCIAL SERVICES BOARD

Rose M. Lester, Chair

Patty O'Quinn
Nancy Jackson

Joel Hash, Jr.
Timothy A. Reeves

Lewis Lafon, Clerk

OTHER OFFICIALS

Judge of the Circuit Court Josiah T. Showalter, Jr.
Clerk of the Circuit Court Hayden H. Horney
Judge of the General District Court J.D. Bolt
Judge of the Juvenile & Domestic Relations Court Bradley Dalton
Commonwealth's Attorney Gerald Mabe
Commissioner of the Revenue Faye Barker
Treasurer Lori Guynn
Sheriff Keith Dunagan
Superintendent of Schools Dr. Jeff Perry
Director of Social Services Lewis Lafon
County Administrator R. Cellell Dalton
County Attorney Scot S. Farthing

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Members of
the Board of Supervisors of the
County of Wythe, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Wythe, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County'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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Wythe, 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 20 to the financial statements, in 2016, the County adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application and 82 Pension Issues - and 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 75 and 76-80, respectively, 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 County of Wythe, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Other Information (continued)

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

The introductory section and 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 28, 2016, on our consideration of the County of Wythe, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 County of Wythe, Virginia's internal control over financial reporting and compliance.

Robinson, Turner, Co. Associates

Blacksburg, Virginia
November 28, 2016

Basic Financial Statements

County of Wythe, Virginia
Statement of Net Position
June 30, 2016

	Primary Government			Component Unit
	Governmental	Business-type	Total	School Board
	Activities	Activities		
ASSETS				
Cash and cash equivalents	\$ 41,762,701	\$ 5,652,205	\$ 47,414,906	\$ 2,898,135
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,449,409	-	1,449,409	-
Other local taxes	367,164	-	367,164	-
Accounts receivable	9,483	634,279	643,762	311,059
Due from other governmental units	2,322,494	3,736,241	6,058,735	1,401,950
Inventories	-	-	-	-
Prepaid items	22,627	-	22,627	290,900
Investment in land	14,033,131	-	14,033,131	-
Internal balances	76,763	(76,763)	-	-
Restricted assets:				
Cash and cash equivalents (in custody of others)	694,932	772,056	1,466,988	-
Capital assets (net of accumulated depreciation):				
Land	4,032,359	233,205	4,265,564	774,089
Buildings and improvements	39,806,234	-	39,806,234	11,447,743
Machinery and equipment	1,967,958	191,620	2,159,578	2,261,921
Infrastructure	1,661,073	39,406,226	41,067,299	-
Construction in progress	38,560	3,462,292	3,500,852	-
Total assets	<u>\$ 108,244,888</u>	<u>\$ 54,011,361</u>	<u>\$ 162,256,249</u>	<u>\$ 19,385,797</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions subsequent to measurement date	\$ 682,407	\$ 27,460	\$ 709,867	\$ 2,987,202
Items related to measurement of net pension liability	-	-	-	53,494
Total deferred outflows of resources	<u>\$ 682,407</u>	<u>\$ 27,460</u>	<u>\$ 709,867</u>	<u>\$ 3,040,696</u>
LIABILITIES				
Accounts payable	\$ 1,100,395	\$ 458,342	\$ 1,558,737	\$ 145,327
Retainage payable	-	104,083	104,083	-
Customer deposits	-	66,741	66,741	2,415,038
Accrued interest payable	424,997	46,138	471,135	-
Deposits held in escrow	16,000	-	16,000	-
Long-term liabilities:				
Due within one year	2,828,048	945,793	3,773,841	451,583
Due in more than one year	40,207,105	21,626,675	61,833,780	36,132,248
Total liabilities	<u>\$ 44,576,545</u>	<u>\$ 23,247,772</u>	<u>\$ 67,824,317</u>	<u>\$ 39,144,196</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes paid in advance	\$ 110,160	-	\$ 110,160	-
Items related to measurement of net pension liability	1,010,906	38,302	1,049,208	2,737,415
Change in proportionate share of net pension liability	-	-	-	984,000
Total deferred inflows of resources	<u>\$ 1,121,066</u>	<u>\$ 38,302</u>	<u>\$ 1,159,368</u>	<u>\$ 3,721,415</u>
NET POSITION				
Net investment in capital assets	\$ 16,494,756	\$ 21,498,587	\$ 37,993,343	\$ 14,483,753
Restricted:				
Law library	27,637	-	27,637	-
Property seizure	85,883	-	85,883	-
Courtroom security	223,470	-	223,470	-
Clerk's records grant	24,481	-	24,481	-
School cafeterias	-	-	-	244,761
Unrestricted	46,373,457	9,254,160	55,627,617	(35,167,632)
Total net position	<u>\$ 63,229,684</u>	<u>\$ 30,752,747</u>	<u>\$ 93,982,431</u>	<u>\$ (20,439,118)</u>

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

County of Wythe, Virginia
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit	
					Governmental Activities	Business-type Activities	Total	School Board
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,962,812	\$ 2,558	\$ 278,501	\$ -	\$ (1,681,753)	\$ -	\$ (1,681,753)	\$ -
Judicial administration	1,415,646	11,372	928,406	-	(475,868)	-	(475,868)	-
Public safety	6,054,094	1,712,282	1,675,612	-	(2,666,200)	-	(2,666,200)	-
Public works	2,227,414	138,175	-	-	(2,089,239)	-	(2,089,239)	-
Health and welfare	6,796,270	-	4,989,657	-	(1,806,613)	-	(1,806,613)	-
Education	14,417,669	-	-	-	(14,417,669)	-	(14,417,669)	-
Parks, recreation, and cultural	546,211	73,488	5,000	-	(467,723)	-	(467,723)	-
Community development	1,407,644	-	-	436,025	(971,619)	-	(971,619)	-
Interest on long-term debt	1,217,966	-	-	-	(1,217,966)	-	(1,217,966)	-
Total governmental activities	\$ 36,045,726	\$ 1,937,875	\$ 7,877,176	\$ 436,025	\$ (25,794,650)	\$ -	\$ (25,794,650)	\$ -
Business-type activities:								
Water and sewer	\$ 3,318,125	\$ 3,019,819	\$ -	\$ 388,279	\$ -	\$ 89,973	\$ 89,973	\$ -
Total primary government	\$ 39,363,851	\$ 4,957,694	\$ 7,877,176	\$ 824,304	\$ (25,794,650)	\$ 89,973	\$ (25,704,677)	\$ -
COMPONENT UNIT:								
School Board	\$ 42,556,786	\$ 1,163,863	\$ 28,228,990	\$ -	\$ -	\$ -	\$ -	\$ (13,163,933)
General revenues:								
General property taxes					\$ 18,844,528	\$ -	\$ 18,844,528	\$ -
Other local taxes:								
Local sales and use taxes					3,540,397	-	3,540,397	-
Consumers' utility taxes					614,426	-	614,426	-
Consumption tax					93,753	-	93,753	-
Motor vehicle licenses					391,878	-	391,878	-
Bank stock taxes					37,199	-	37,199	-
Taxes on recordation and wills					142,362	-	142,362	-
Hotel and motel room taxes					185,062	-	185,062	-
Restaurant food taxes					791,301	-	791,301	-
Unrestricted revenues from use of money and property					1,011,703	92,391	1,104,094	5,599
Miscellaneous					326,712	-	326,712	229,779
Payments from the County of Wythe, Virginia					-	-	-	14,378,200
Grants and contributions not restricted to specific programs					2,475,547	-	2,475,547	-
Transfers					356,935	(356,935)	-	-
Total general revenues and transfers					\$ 28,811,803	\$ (264,544)	\$ 28,547,259	\$ 14,613,578
Change in net position					\$ 3,017,153	\$ (174,571)	\$ 2,842,582	\$ 1,449,645
Net position - beginning					60,212,531	30,927,318	91,139,849	(21,888,763)
Net position - ending					\$ 63,229,684	\$ 30,752,747	\$ 93,982,431	\$ (20,439,118)

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

County of Wythe, Virginia
Balance Sheet
Governmental Funds
June 30, 2016

	<u>General</u>	<u>County Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 35,448,860	\$ 6,313,841	\$ 41,762,701
Receivables (net of allowance for uncollectibles):			
Property taxes receivable	1,449,409	-	1,449,409
Other local taxes receivable	367,164	-	367,164
Accounts receivable	-	9,483	9,483
Due from other funds	-	76,763	76,763
Due from other governmental units	2,322,494	-	2,322,494
Prepaid items	22,627	-	22,627
Restricted assets:			
Cash and cash equivalents	694,932	-	694,932
Land held for resale	14,033,131	-	14,033,131
Total assets	<u>\$ 54,338,617</u>	<u>\$ 6,400,087</u>	<u>\$ 60,738,704</u>
LIABILITIES			
Accounts payable	\$ 1,100,395	\$ -	\$ 1,100,395
Deposits held in escrow	16,000	-	16,000
Total liabilities	<u>\$ 1,116,395</u>	<u>\$ -</u>	<u>\$ 1,116,395</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	\$ 1,396,363	\$ -	\$ 1,396,363
Unavailable revenue-land held for resale	14,033,131	-	14,033,131
Total deferred inflows of resources	<u>\$ 15,429,494</u>	<u>\$ -</u>	<u>\$ 15,429,494</u>
FUND BALANCES			
Nonspendable	\$ 22,627	\$ -	\$ 22,627
Restricted			
Law library	27,637	-	27,637
Property seizure	85,883	-	85,883
Courtroom security	223,470	-	223,470
Clerk's records grant	24,481	-	24,481
Committed for capital projects	3,270,803	6,323,324	9,594,127
Assigned for police activity	197,327	-	197,327
Unassigned	33,940,500	76,763	34,017,263
Total fund balances	<u>\$ 37,792,728</u>	<u>\$ 6,400,087</u>	<u>\$ 44,192,815</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 54,338,617</u>	<u>\$ 6,400,087</u>	<u>\$ 60,738,704</u>

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

County of Wythe, 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	\$	44,192,815	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Land	\$	4,032,359	
Buildings and improvements		39,806,234	
Infrastructure		1,661,073	
Machinery and equipment		1,967,958	
Construction in progress		38,560	47,506,184
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds. These amounts are as follows:			
Unavailable revenue - property taxes	\$	1,286,203	
Items related to measurement of net pension liability		(1,010,906)	
Land held for resale		14,033,131	14,308,428
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.			
			682,407
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
General obligation bonds	\$	(39,598,138)	
Accrued interest payable		(424,997)	
Unamortized bond premium		(119,429)	
Landfill postclosure liability		(72,303)	
Compensated absences		(313,678)	
Capital lease		(138,861)	
Net OPEB obligation		(371,300)	
Net pension liability		(2,421,444)	(43,460,150)
Net position of governmental activities			\$ 63,229,684

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

County of Wythe, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	<u>General</u>	<u>County Capital Projects</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 18,524,308	\$ -	\$ 18,524,308
Other local taxes	5,796,378	-	5,796,378
Permits, privilege fees, and regulatory licenses	77,292	-	77,292
Fines and forfeitures	1,399,738	-	1,399,738
Revenue from the use of money and property	895,853	115,850	1,011,703
Charges for services	318,716	142,129	460,845
Miscellaneous	305,712	21,000	326,712
Recovered costs	565,255	-	565,255
Intergovernmental:			
Commonwealth	8,342,793	-	8,342,793
Federal	2,445,955	-	2,445,955
Total revenues	<u>\$ 38,672,000</u>	<u>\$ 278,979</u>	<u>\$ 38,950,979</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,966,330	\$ -	\$ 1,966,330
Judicial administration	1,523,426	-	1,523,426
Public safety	6,125,887	-	6,125,887
Public works	1,905,660	-	1,905,660
Health and welfare	6,991,520	-	6,991,520
Education	12,804,555	-	12,804,555
Parks, recreation, and cultural	535,211	-	535,211
Community development	988,124	-	988,124
Capital projects	2,092,520	-	2,092,520
Debt service:			
Principal retirement	2,585,621	-	2,585,621
Interest and other fiscal charges	1,295,202	-	1,295,202
Total expenditures	<u>\$ 38,814,056</u>	<u>\$ -</u>	<u>\$ 38,814,056</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (142,056)</u>	<u>\$ 278,979</u>	<u>\$ 136,923</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 1,887,452	\$ 1,967,337	\$ 3,854,789
Transfers out	(333,822)	(3,164,032)	(3,497,854)
Issuance of general obligation bonds	50,000	-	50,000
Issuance of capital leases	153,827	-	153,827
Sale of capital assets	23,761	-	23,761
Total other financing sources (uses)	<u>\$ 1,781,218</u>	<u>\$ (1,196,695)</u>	<u>\$ 584,523</u>
Net change in fund balances	\$ 1,639,162	\$ (917,716)	\$ 721,446
Fund balances - beginning	36,153,566	7,317,803	43,471,369
Fund balances - ending	<u>\$ 37,792,728</u>	<u>\$ 6,400,087</u>	<u>\$ 44,192,815</u>

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

County of Wythe, 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	\$	721,446
<p>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.</p>		
Capital outlays	\$ 1,892,613	
Depreciation expense	<u>(2,108,137)</u>	(215,524)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.</p>		
Deletions of assets	\$ (40,085)	
Transfer of asset to the Town of Wytheville (fund basis receivable)	(241,350)	
Transfer of asset to School Board (net book value)	<u>(507,452)</u>	(788,887)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes	\$ 320,220	
Change in deferred inflows related to the measurement of the net pension liability	<u>616,234</u>	936,454
<p>The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations 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 obligations and related items.</p>		
<p>Debt issued or incurred:</p>		
Issuance of general obligation debt	\$ (50,000)	
Capital lease	(153,827)	
<p>Principal repayments:</p>		
General obligation bonds and lease agreements	<u>2,585,621</u>	2,381,149
<p>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.</p>		
Change in compensated absences	\$ (33,983)	
Change in accrued interest payable	42,816	
Change in net OPEB obligation	(38,900)	
Change in net pension liability	(28,981)	
Change in deferred outflows related to pension payments subsequent to the measurement date	7,143	
Amortization of bond premium	<u>34,420</u>	(17,485)
Change in net position of governmental activities		<u>\$ 3,017,153</u>

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

County of Wythe, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2016

	Enterprise Funds		Total
	Water Department	Sewer Department	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,886,557	\$ 2,765,648	\$ 5,652,205
Accounts receivable	394,683	239,596	634,279
Due from other governmental units	3,736,241	-	3,736,241
Total unrestricted current assets	<u>\$ 7,017,481</u>	<u>\$ 3,005,244</u>	<u>\$ 10,022,725</u>
Restricted current assets:			
Cash and cash equivalents (in custody of others)	\$ 772,056	\$ -	\$ 772,056
Total restricted current assets	<u>\$ 772,056</u>	<u>\$ -</u>	<u>\$ 772,056</u>
Total current assets	<u>\$ 7,789,537</u>	<u>\$ 3,005,244</u>	<u>\$ 10,794,781</u>
Noncurrent assets:			
Capital assets:			
Land	\$ 211,245	\$ 21,960	\$ 233,205
Utility plant in service	29,383,706	25,006,239	54,389,945
Machinery and equipment	274,131	52,053	326,184
Accumulated depreciation	(7,851,501)	(7,266,782)	(15,118,283)
Construction in progress	3,334,627	127,665	3,462,292
Total capital assets	<u>\$ 25,352,208</u>	<u>\$ 17,941,135</u>	<u>\$ 43,293,343</u>
Total noncurrent assets	<u>\$ 25,352,208</u>	<u>\$ 17,941,135</u>	<u>\$ 43,293,343</u>
Total assets	<u>\$ 33,141,745</u>	<u>\$ 20,946,379</u>	<u>\$ 54,088,124</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	\$ 14,306	\$ 13,154	\$ 27,460
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 455,520	\$ 2,822	\$ 458,342
Retainage payable	104,083	-	104,083
Customers' deposits	52,065	14,676	66,741
Accrued interest payable	37,298	8,840	46,138
Due to other funds	76,763	-	76,763
Compensated absences - current portion	5,833	7,660	13,493
Bonds payable - current portion	512,742	419,558	932,300
Total current liabilities	<u>\$ 1,244,304</u>	<u>\$ 453,556</u>	<u>\$ 1,697,860</u>
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 1,944	\$ 2,554	\$ 4,498
Bonds payable - net of current portion	15,358,184	6,172,245	21,530,429
Net pension liability	84,191	7,557	91,748
Total noncurrent liabilities	<u>\$ 15,444,319</u>	<u>\$ 6,182,356</u>	<u>\$ 21,626,675</u>
Total liabilities	<u>\$ 16,688,623</u>	<u>\$ 6,635,912</u>	<u>\$ 23,324,535</u>
DEFERRED INFLOWS OF RESOURCES			
Items related to measurement of net pension liability	\$ 35,147	\$ 3,155	\$ 38,302
NET POSITION			
Net investment in capital assets	\$ 10,149,255	\$ 11,349,332	\$ 21,498,587
Unrestricted	6,283,026	2,971,134	9,254,160
Total net position	<u>\$ 16,432,281</u>	<u>\$ 14,320,466</u>	<u>\$ 30,752,747</u>

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

County of Wythe, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Enterprise Funds		Total
	Water Department	Sewer Department	
OPERATING REVENUES			
Charges for services:			
Water and sewer billings	\$ 1,577,065	\$ 1,441,141	\$ 3,018,206
Miscellaneous	1,613	-	1,613
Total operating revenues	<u>\$ 1,578,678</u>	<u>\$ 1,441,141</u>	<u>\$ 3,019,819</u>
OPERATING EXPENSES			
Personnel services	\$ 177,401	\$ 166,630	\$ 344,031
Fringe benefits	55,705	35,571	91,276
Professional services	10,832	39,891	50,723
Operating expenses	325,756	175,369	501,125
Purchase of water - regional plant	441,413	-	441,413
Repair and maintenance	24,047	18,438	42,485
Depreciation	693,343	646,867	1,340,210
Total operating expenses	<u>\$ 1,728,497</u>	<u>\$ 1,082,766</u>	<u>\$ 2,811,263</u>
Operating income (loss)	<u>\$ (149,819)</u>	<u>\$ 358,375</u>	<u>\$ 208,556</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	\$ 45,989	\$ 46,402	\$ 92,391
Interest expense	(266,923)	(239,939)	(506,862)
Total nonoperating revenues (expenses)	<u>\$ (220,934)</u>	<u>\$ (193,537)</u>	<u>\$ (414,471)</u>
Income before contributions and transfers	\$ (370,753)	\$ 164,838	\$ (205,915)
Capital contributions and construction grants	388,279	-	388,279
Transfers in	1,569,998	-	1,569,998
Transfers out	(1,903,335)	(23,598)	(1,926,933)
Change in net position	\$ (315,811)	\$ 141,240	\$ (174,571)
Total net position - beginning	16,748,092	14,179,226	30,927,318
Total net position - ending	<u>\$ 16,432,281</u>	<u>\$ 14,320,466</u>	<u>\$ 30,752,747</u>

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

County of Wythe, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Enterprise Funds		
	Water Department	Sewer Department	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,578,281	\$ 1,460,597	\$ 3,038,878
Payments to suppliers	(508,954)	(244,423)	(753,377)
Payments to and for employees	(243,838)	(213,077)	(456,915)
Net cash provided by (used for) operating activities	<u>\$ 825,489</u>	<u>\$ 1,003,097</u>	<u>\$ 1,828,586</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	\$ (1,826,572)	\$ (23,598)	\$ (1,850,170)
Transfers from other funds	1,569,998	-	1,569,998
Net cash provided by (used for) noncapital financing activities	<u>\$ (256,574)</u>	<u>\$ (23,598)</u>	<u>\$ (280,172)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital asset additions	\$ (3,093,199)	\$ (72,673)	\$ (3,165,872)
Construction grants	647,465	-	647,465
Principal payments on bonds	(493,327)	(411,138)	(904,465)
Proceeds from indebtedness	2,478,251	-	2,478,251
Interest expense	(272,943)	(244,042)	(516,985)
Net cash provided by (used for) capital and related financing activities	<u>\$ (733,753)</u>	<u>\$ (727,853)</u>	<u>\$ (1,461,606)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	\$ 45,989	\$ 46,402	\$ 92,391
Net cash provided by (used for) investing activities	<u>\$ 45,989</u>	<u>\$ 46,402</u>	<u>\$ 92,391</u>
Net increase (decrease) in cash and cash equivalents	\$ (118,849)	\$ 298,048	\$ 179,199
Cash and cash equivalents - beginning (including \$1,103,094 of restricted deposits)	3,777,462	2,467,600	6,245,062
Cash and cash equivalents - ending (including \$772,056 of restricted deposits)	<u>\$ 3,658,613</u>	<u>\$ 2,765,648</u>	<u>\$ 6,424,261</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (149,819)	\$ 358,375	\$ 208,556
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 693,343	\$ 646,867	\$ 1,340,210
(Increase) decrease in accounts receivable	(433)	19,755	19,322
(Increase) decrease in deferred outflows of resources	9,179	(11,059)	(1,880)
Increase (decrease) in customer deposits	36	(299)	(263)
Increase (decrease) in accounts payable	293,094	(10,725)	282,369
Increase (decrease) in compensated absences	507	2,017	2,524
Increase (decrease) in net pension liability	1,008	90	1,098
Increase (decrease) in deferred inflows of resources	(21,426)	(1,924)	(23,350)
Total adjustments	<u>\$ 975,308</u>	<u>\$ 644,722</u>	<u>\$ 1,620,030</u>
Net cash provided by (used for) operating activities	<u>\$ 825,489</u>	<u>\$ 1,003,097</u>	<u>\$ 1,828,586</u>

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

County of Wythe, Virginia
 Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 27,379
Total assets	<u>\$ 27,379</u>
 LIABILITIES	
Amounts held for social services clients	\$ 27,379
Total liabilities	<u>\$ 27,379</u>

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

COUNTY OF WYTHE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1-Summary of Significant Accounting Policies:

The financial statements of the County of Wythe, Virginia ("the County") conform to generally accepted accounting principles (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity:

The County of Wythe, Virginia (government) is a political subdivision governed by an elected seven-member Board of Supervisors. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units - The County has no blended component units.

Discretely Presented Component Units - The component unit column in the financial statements includes the financial data of the County's discretely presented component unit. It is reported in a separate column to emphasize that it is legally separate from the County.

The Wythe County School Board ("the School Board") operates the elementary and secondary public schools in the County. School Board members are popularly elected. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type. Separate financial statements are not issued for the Component Unit - School Board.

Related Organizations - The County's officials are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointment.

Jointly Governed Organizations -

The Counties of Wythe and Grayson participate in supporting the Wythe/Grayson Regional Library. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the year ended June 30, 2016, the County contributed \$295,000 to the Library.

The Counties of Wythe and Smyth participate in supporting the Smyth/Wythe Airport Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the year ended June 30, 2016, the County contributed \$62,000 to the Airport.

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 and its component unit. 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of net position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component unit. 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, net of related debt; 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*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

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

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

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, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Note 1-Summary of Significant Accounting Policies: (Continued)

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for un-collectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenue. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

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

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. The general fund includes the activities of the Law Library Fund and the Property Seizure Fund.

The County reports the following major capital projects funds:

The County Capital Projects Fund accounts for and reports financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. It 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 government reports the following major proprietary funds:

The *water fund and sewer fund* accounts for the activities of the County water and sewer system, which includes water distribution and sewage collections systems throughout the County.

Additionally, the government reports the following fund types:

Fiduciary funds (Trust and Agency 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. Agency funds consist of the special welfare 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.

Note 1-Summary of Significant Accounting Policies: (Continued)

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

Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise fund are charges to customers for sales and services. The County 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 nonoperating revenues and expenses.

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

1. Cash and Cash Equivalents

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

2. Investments

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.

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Note 1-Summary of Significant Accounting Policies: (Continued)

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

4. 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 5th.

Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes.

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$311,878 at June 30, 2016. This allowance consists of delinquent taxes in the amount of \$98,342 and delinquent water and sewer bills of \$213,536.

6. 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.

7. Inventory

Land held for resale includes land, land improvement, and infrastructure at the Progress Park located in Wythe County. This inventory is valued at original cost. Fair market value cannot be determined as comparable sites do not exist within the vicinity of the County.

8. 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 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 fiscal year.

Note 1-Summary of Significant Accounting Policies: (Continued)

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

8. Capital Assets (Continued)

Property, plant, and equipment and infrastructure of the primary government, as well as the component unit, 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	4-30

9. 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 Government 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 County accrues salary-related payments associated with the payment of compensated absences. The School Board and Social Services department accrue payments associated with sick leave upon retirement. The County does not pay for sick leave upon retirement. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

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 County's Retirement Plan and the additions to/deductions from the County'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.

11. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, 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.

Note 1-Summary of Significant Accounting Policies: (Continued)

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

11. Long-term Obligations (Continued)

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.

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 County 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 County's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

14. 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 (expenditure/expense) until then. The County only has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments and 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.

Note 1-Summary of Significant Accounting Policies: (Continued)

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

14. 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 County 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 and unavailable revenue is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30th, property taxes paid in advance, and the value of land held for resale which are deferred and recognized as an inflow of resources in the period that the amounts become available. Under the accrual basis, tax amounts prepaid are reported as deferred inflows are 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 and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

15. Fund Equity

The County reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The County evaluated its funds and classified fund balance into the following five categories:

Nonspendable - amounts that cannot be spent because they are not in spendable form, such as prepaid items and inventory or are required to be maintained intact (corpus of a permanent fund).

Restricted - amounts that are restricted by external parties such as creditors or imposed by grants, law or legislation.

Committed - amounts that have been committed (establish, modify, or rescind) by formal action (resolution or ordinance) by the entity's "highest level of decision-making authority"; which the County considers to be the Board of Supervisors.

Assigned - amounts that have been allocated by committee action where the government's intent is to use the funds for a specific purpose. The County considers this level of authority to be the Board of Supervisors or any Committee granted such authority by the Board of Supervisors.

Unassigned - this category is for any balances that have no restrictions placed upon them; positive amounts are only reporting in the general fund.

Note 1-Summary of Significant Accounting Policies: (Continued)

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

15. Fund Equity (Continued)

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

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors 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 following funds have legally adopted budgets: General Fund and the School Operating Fund
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 function level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, the Capital Projects Fund, and the Special Revenue Funds. The School Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project.
8. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.

Note 2-Stewardship, Compliance, and Accountability: (Continued)

B. Excess of expenditures over appropriations

For fiscal year 2016, certain departments within the general fund expenditures exceeded their appropriations as demonstrated in Schedule 2 of this report.

C. Deficit fund equity

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

Note 3-Deposits and Investments:

A. Deposits

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

B. Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County and its discretely presented component unit has an investment policy for custodial credit risk included within the County investment policy. The County's investments at June 30, 2016 were held in the County's name by the County's custodial bank. The County's investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Note 3-Deposits and Investments: (Continued)

B. Investments (Continued)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2016 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

<u>County's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
First American Prime Obligation Fund	\$ 695,000
Wells Fargo Advantage MM Fund	931,679
SNAP	13,001

Concentration of Credit Risk

At June 30, 2016, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

Interest Rate Risk

There are no interest rate risk disclosures required for the year ended June 30, 2016.

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. On October 3, 2016, the Prime Series became a government money market fund and the name was changed to Government Select Series. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U.S. government securities (including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully.

The value of the positions in the external investment pool (State Non-Arbitrage Pool) is the same as the value of the pool shares. SNAP is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

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 County 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 County maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

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

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

The County 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				
Firste American Prime Obligation Fund	\$ 695,000	\$ 695,000	\$ -	\$ -
Wells Fargo Advantage MM Fund	931,679	931,679	-	-

Note 5-Due from Other Governmental Units:

The following amounts represent receivables from other governments at year-end:

	Primary Government		Component Unit School Board
	Governmental Activities	Business-type Activities	
<u>Local Government:</u>			
New River Valley Regional Water Authority	\$ -	\$ 1,785,848	\$ -
Town of Wytheville	404,138	1,950,393	-
County of Bland	162,787	-	-
<u>Commonwealth of Virginia:</u>			
Local sales tax	630,689	-	-
Local communication tax	120,532	-	-
State sales tax	-	-	778,909
Categorical aid	318,478	-	-
Non-categorical aid	61,951	-	-
Virginia public assistance funds	113,012	-	-
Community services act	321,137	-	-
Other categorical aid	-	-	1,960
<u>Federal Government:</u>			
Virginia public assistance funds	177,490	-	-
Categorical aid	-	-	-
Non-categorical aid	12,280	-	-
School grants	-	-	621,081
	<u>\$ 2,322,494</u>	<u>\$ 3,736,241</u>	<u>\$ 1,401,950</u>
Totals			

The County constructed certain debt financed assets that are used by the New River Regional Water Authority and the Town of Wytheville, Virginia. The County has recorded a receivable in the Water Fund of \$3,736,241 for repayment of shared construction costs. The County bills these entities as debt service payments are due.

The County and the County of Bland, Virginia and the Town of Wytheville participate in a tax revenue sharing agreement for machinery and tools taxes levied on certain local industries. One local industry filed for a refund of taxes (and related interest) in the total amount of \$488,361. The County has recorded a receivables from the Town of Wytheville and the County of Bland for their respective share of this liability (\$162,787/each). In addition, the Town of Wytheville owes the County \$241,350 for assets constructed on behalf of the Town by the County.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 6-Interfund Transfers/Component Unit Contributions:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 1,887,452	\$ 333,822
County Capital Projects Fund	1,967,337	3,164,032
Water Fund	1,569,998	1,903,335
Sewer Fund	-	23,598
Total	<u>\$ 5,424,787</u>	<u>\$ 5,424,787</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.

Primary government contributions to component units for the year ended June 30, 2016, consisted of the following:

Component Unit:	
School Board	\$ 12,765,086

Note 7-Interfund/Component-Unit Obligations:

At year end, there were component-unit obligations. There were the following interfund obligations at year end:

<u>Fund</u>	<u>Due to</u>	<u>Due from</u>
Primary Government:		
County Capital Projects Fund	\$ -	\$ 76,763
Water Department Fund	<u>76,763</u>	
	<u>\$ 76,763</u>	<u>\$ 76,763</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8-Long-Term Obligations:

Primary Government - Governmental Activities Obligations:

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

	Balance July 1, 2015	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2016
General obligation bonds	\$ 42,118,793	\$ 50,000	\$ (2,570,655)	\$ 39,598,138
GO bond premium	153,849	-	(34,420)	119,429
Capital lease	-	153,827	(14,966)	138,861
Landfill postclosure liability	71,658	645	-	72,303
Compensated absences	279,695	243,754	(209,771)	313,678
Net OPEB obligation	332,400	77,600	(38,700)	371,300
Net pension liability	2,392,463	2,649,585	(2,620,604)	2,421,444
	<u>\$ 45,348,858</u>	<u>\$ 3,175,411</u>	<u>\$ (5,489,116)</u>	<u>\$ 43,035,153</u>
Total				

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2017	\$ 2,562,632	\$ 1,260,734
2018	2,625,737	1,165,335
2019	10,254,078	995,848
2020	2,302,426	827,997
2021	2,355,880	736,555
2022-2026	9,666,761	2,376,027
2027-2031	6,918,974	942,955
2032-2035	2,861,649	140,593
Totals	<u>\$ 39,548,138</u>	<u>\$ 8,446,044</u>

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COUNTY OF WYTHE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Obligations: (Continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds						
GO bond	3.1-5.35%	11/6/03	2024	7,435,478	3,263,988	382,600
VPSA GO bond	2.35-5.1%	11/7/02	2023	9,209,707	3,492,313	472,690
VPSA GO bond	4.255%-5.1%	10/24/06	2027	3,593,557	2,096,745	179,760
GO bond	2%-4%	3/15/10	2018	1,600,000	440,000	215,000
GO bond	2.75%	3/18/12	2033	10,000,000	8,448,414	423,575
GO bond*	4.10%	3/15/10	2030	3,440,000	3,440,000	-
Rural Development GO bond	3.75%	12/29/10	2023	1,550,000	817,932	106,589
GO refunding bond	1.93%	7/10/13	2019	9,650,000	8,845,000	415,000
GO bond	2.14-3.34%	12/18/14	2035	9,063,000	8,703,746	367,418
GO Bond	2.50%	12/30/15	2035	5,000,000	50,000	-
Total General Obligation Bonds					\$ 39,598,138	\$ 2,562,632
Add: Unamortized premium on						
\$7,435,478 GO bond	n/a	11/6/03	2024	476,903	\$ 87,810	\$ -
\$3,593,557 GO bond	n/a	10/24/06	2027	102,414	21,337	-
\$1,600,000 GO bond	n/a	3/15/10	2018	57,063	10,282	-
Total Unamortized premiums					\$ 119,429	\$ -
Total General Obligation Bonds and unamortized premiums					\$ 39,717,567	\$ 2,562,632
* Build America Bonds - effective yield						
Other Obligations:						
Landfill Postclosure Liability	n/a	n/a	n/a	n/a	\$ 72,303	\$ -
Compensated Absences	n/a	n/a	n/a	n/a	313,678	235,259
Net OPEB Obligation	n/a	n/a	n/a	n/a	371,300	-
Capital Lease	1.50%	07/29/15	07/29/20	153,827	138,861	30,157
Net Pension Liability	n/a	n/a	n/a	n/a	2,421,444	-
Total Other Obligations					\$ 3,317,586	\$ 265,416
Total Long-term obligations					\$ 43,035,153	\$ 2,828,048

The County's 2013 refunding bond requires that the County maintains liquidity such that on June 30 of each year, the balance of cash and cash equivalents held in the general fund shall be at least equal to forty percent (40%) of the amount of the County's general obligation debt outstanding on such date. As of June 30th, the County was in compliance with this bond covenant.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8-Long-Term Obligations: (Continued)

Primary Government - Business-type Activities Obligations:

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

	<u>Balance July 1, 2015</u>	<u>Increase/ Issuances</u>	<u>Decrease/ Retirements</u>	<u>Balance June 30, 2016</u>
General obligation and revenue bonds	\$ 20,898,093	\$ 2,478,251	\$ (904,465)	\$ 22,471,879
General obligation bond discount	(10,065)	-	915	(9,150)
Compensated absences	15,467	14,124	(11,600)	17,991
Net pension liability	90,650	100,393	(99,295)	91,748
	<u>\$ 20,994,145</u>	<u>\$ 2,592,768</u>	<u>\$ (1,014,445)</u>	<u>\$ 22,572,468</u>
Total				

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

<u>Year Ending June 30,</u>	<u>General Obligation and Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 932,300	\$ 694,389
2018	1,034,875	709,579
2019	1,178,587	638,221
2020	1,210,671	596,950
2021	1,180,769	554,500
2022-2026	6,650,932	2,084,159
2027-2031	2,857,328	1,257,837
2032-2036	2,942,215	855,358
2037-2041	1,541,663	515,989
2042-2046	1,451,380	300,938
2047-2051	1,430,879	105,295
2052	60,280	557
Totals	<u>\$ 22,471,879</u>	<u>\$ 8,313,772</u>

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COUNTY OF WYTHE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8-Long-Term Obligations: (Continued)

Primary Government - Business-type Activities Obligations: (Continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
General Obligation and Revenue Bonds						
VRA revenue bond	0.00%	2/1/14	2025	\$ 110,100	\$ 47,155	\$ 5,239
VRA revenue bond	0.00%	5/15/12	2015	1,369,871	1,098,474	68,493
Rural Development Bond	4.50%	7/24/97	2037	2,521,100	1,833,833	57,562
Rural Development Bond	4.50%	10/31/02	2042	497,100	411,858	9,044
Rural Development Bond	4.50%	10/31/02	2042	547,700	453,833	9,960
Rural Development Bond	4.125%	6/23/10	2040	1,511,260	1,439,101	19,663
Rural Development Bond*	2.375%	3/31/10	2040	1,100,000	369,898	7,285
Rural Development Bond	2.375%	6/29/11	2051	640,000	606,854	11,389
Rural Development Bond	2.375%	6/14/11	2051	3,316,000	3,147,643	58,912
Rural Development Bond	2.375%	8/11/10	2049	1,065,000	966,332	19,746
Rural Development Bond	2.125%	11/16/12	2052	1,374,000	1,336,008	24,831
Rural Development Bond	2.125%	10/7/15	2055	3,754,000	2,217,269	-
Rural Development Bond	2.500%	5/19/16	2056	1,358,000	100,743	-
Rural Development Bond	3.500%	5/19/16	2056	684,000	55,974	-
GO Bond	3.5-4.5%	1/5/06	2026	6,180,000	3,750,000	310,000
GO Bond	4.36%	12/15/05	2026	5,900,000	3,621,491	288,263
GO Bond	2.36%	12/18/14	2035	927,000	890,148	37,581
GO Bond**	2.00%	11/19/14	2020	151,809	125,265	4,332
Less: Unamortized GO Bond discount					(9,150)	-
Total General Obligation and Revenue Bonds					<u>\$ 22,462,729</u>	<u>\$ 932,300</u>
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 17,991	\$ 13,493
Net Pension Liability	n/a	n/a	n/a	n/a	91,748	-
Total Other Obligations					<u>\$ 109,739</u>	<u>\$ 13,493</u>
Total Long-term obligations					<u>\$ 22,572,468</u>	<u>\$ 945,793</u>

* Loan issued by Carroll County PSA in the amount of \$5,000,000 with an underlying agreement that Wythe County is responsible for 7.9733% of such loan.

** As of June 30, 2016, \$127,715 has been drawn down.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 9-Long-Term Obligations - Component Unit:

Discretely Presented Component Unit - School Board Obligations:

The following is a summary of long-term obligation transactions of the School Board for the year ended June 30, 2016.

	Balance July 1, 2015	Increase	Decrease	Balance June 30, 2016
Compensated absences	\$ 572,020	\$ 460,754	\$ (430,663)	\$ 602,111
Net OPEB obligation	811,000	332,700	(236,100)	907,600
Net pension liability	34,311,329	8,249,590	(7,486,799)	35,074,120
Total	\$ 35,694,349	\$ 9,043,044	\$ (8,153,562)	\$ 36,583,831

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 602,111	\$ 451,583
Net OPEB Obligation	n/a	n/a	n/a	n/a	907,600	-
Net Pension Liability	n/a	n/a	n/a	n/a	35,074,120	-
Total Long-term obligations					\$ 36,583,831	\$ 451,583

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Note 10-Pension Plan:

Plan Description

All full-time, salaried permanent employees of the County and (nonprofessional) employees of the public school divisions are automatically covered by the VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other 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 Wythe County and the participating entities report their proportionate information on the basis of a cost-sharing plan.

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system).

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.

Note 10-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<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>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>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* • School division 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.

Note 10-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) 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. 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.) The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*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. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<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 and school divisions 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 and school divisions 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>

Note 10-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>

Note 10-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>

Note 10-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>

Note 10-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>

Note 10-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>

Note 10-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 10-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>

Note 10-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 and School divisions (including Plan 1 and Plan 2 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>

Note 10-Pension Plan: (Continued)

Plan Description (Continued)

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by 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 County's contractually required contribution rate for the year ended June 30, 2016 was 11.62% 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 County were \$709,867 and \$700,844 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

At June 30, 2016, the County reported a liability of \$2,513,193 for its proportionate share of the net pension liability. The County'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. In order to allocate the net pension liability to all employers included in the plan, the County is required to determine its proportionate share of the net pension liability. Contributions as of June 30, 2015 was used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2015 and 2014, the County's proportion was 96.42%.

Note 10-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

The total pension liability for General Employees in the Wythe County's Retirement Plan and the Wythe County School Board 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

Note 10-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 Wythe County'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.

Note 10-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

Note 10-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	2.50%
	*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%.

Note 10-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 Wythe County Retirement Plan, Wythe County School Board Retirement Plan, and the VRS Teacher 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 County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the County's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the County'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:

	<u>Rate</u>		
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
County's proportionate share of the County Retirement Plan Net Pension Liability (Asset)	6,461,542	2,513,192	(771,966)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 10-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 County recognized pension expense of \$91,340. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Primary Government</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 306,229
Change in assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Net difference between projected and actual earnings on pension plan investments	-	742,979
Employer contributions subsequent to the measurement date	<u>709,867</u>	<u>-</u>
Total	<u>\$ 709,867</u>	<u>\$ 1,049,208</u>

\$709,867 reported as deferred outflows of resources related to pensions resulting from the County'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:

<u>Year ended June 30</u>	<u>Primary Government</u>
2017	\$ (445,956)
2018	(442,863)
2019	(291,294)
2020	130,905
Thereafter	-

Note 10-Pension Plan: (Continued)

Component Unit School Board (nonprofessional)

Plan Description

Additional information related to the plan description, plan contribution requirements, actuarial assumptions, long-term expected rate of return, and discount rate is included in the first section of this note.

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	77
Inactive members:	
Vested inactive members	6
Non-vested inactive members	15
Inactive members active elsewhere in VRS	<u>24</u>
Total inactive members	45
Active members	<u>64</u>
Total covered employees	<u><u>186</u></u>

Contributions

The Component Unit School Board’s contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 was 11.03% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2014.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 10-Pension Plan: (Continued)

Component Unit School Board (nonprofessional) (Continued)

Contributions (Continued)

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 Component Unit School Board's nonprofessional employees were \$134,262 and \$133,742 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The Component Unit School Board's (nonprofessional) 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.

Changes in Net Pension Liability

	<u>Component School Board (nonprofessional)</u>		
	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at June 30, 2014	\$ 5,890,183	\$ 5,517,854	\$ 372,329
Changes for the year:			
Service cost	\$ 149,645	\$ -	\$ 149,645
Interest	398,722	-	398,722
Differences between expected and actual experience	90,642	-	90,642
Contributions - employer	-	134,262	(134,262)
Contributions - employee	-	60,221	(60,221)
Net investment income	-	247,316	(247,316)
Benefit payments, including refunds of employee contributions	(388,295)	(388,295)	-
Administrative expenses	-	(3,530)	3,530
Other changes	-	(51)	51
Net changes	<u>\$ 250,714</u>	<u>\$ 49,923</u>	<u>\$ 200,791</u>
Balances at June 30, 2015	<u>\$ 6,140,897</u>	<u>\$ 5,567,777</u>	<u>\$ 573,120</u>

Note 10-Pension Plan: (Continued)

Component Unit School Board (nonprofessional) (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	1,270,465	573,120	(13,486)

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

For the year ended June 30, 2016, the Component Unit School Board (nonprofessional) recognized pension expense of \$90,928. At June 30, 2016, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 53,494	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	149,415
Employer contributions subsequent to the measurement date	134,009	-
Total	\$ 187,503	\$ 149,415

Note 10-Pension Plan: (Continued)

Component Unit School Board (nonprofessional) (Continued)

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

\$134,009 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board’s (nonprofessional) 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:

<u>Year ended June 30</u>	<u>Component Unit School Board (nonprofessional)</u>
2017	\$ (21,458)
2018	(42,260)
2019	(58,608)
2020	26,405
Thereafter	-

Component Unit School Board (professional)

Plan Description

Additional information related to the plan description, plan contribution requirements, long-term expected rate of return, and discount rate is included in the first section of this note.

Contributions

Each School Division’s contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. The actuarially determined 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. Based on the provisions of §51.1-145 of the Code of Virginia, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were \$2,853,193 and \$2,946,998 for the years ended June 30, 2016 and June 30, 2015, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 10-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

At June 30, 2016, the school division reported a liability of \$34,501,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 0.2741% as compared to 0.2808% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$2,286,000. 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 school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ 475,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,113,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	984,000
Employer contributions subsequent to the measurement date	2,853,193	-
Total	<u>\$ 2,853,193</u>	<u>\$ 3,572,000</u>

Note 10-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

\$2,853,193 reported as deferred outflows of resources related to pensions resulting from the school division’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:

	<u>Year ended June 30</u>		
	2017	\$	(1,176,000)
	2018		(1,176,000)
	2019		(1,176,000)
	2020		84,000
	Thereafter		(128,000)

Actuarial Assumptions

The total pension liability for the VRS Teacher 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% - 5.95%
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.

Note 10-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females were set back 3 years.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year 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:

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

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	50,488,000	34,501,000	21,339,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 10-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded 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.

Note 11-Capital Assets:

Capital asset activity for the year ended June 30, 2016 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,742,336	\$ 1,290,023	\$ -	\$ 4,032,359
Construction in progress	118,081	73,378	(152,899)	38,560
Total capital assets not being depreciated	<u>\$ 2,860,417</u>	<u>\$ 1,363,401</u>	<u>\$ (152,899)</u>	<u>\$ 4,070,919</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 52,595,814	\$ 250,209	\$ (700,000)	\$ 52,146,023
Infrastructure	3,322,389	-	-	3,322,389
Machinery and equipment	5,421,590	431,902	(194,198)	5,659,294
Total capital assets being depreciated	<u>\$ 61,339,793</u>	<u>\$ 682,111</u>	<u>\$ (894,198)</u>	<u>\$ 61,127,706</u>
Accumulated depreciation:				
Buildings and improvements	\$ (11,060,736)	\$ (1,471,601)	\$ 192,548	\$ (12,339,789)
Infrastructure	(1,494,204)	(167,112)	-	(1,661,316)
Machinery and equipment	(3,376,025)	(469,424)	154,113	(3,691,336)
Total accumulated depreciation	<u>\$ (15,930,965)</u>	<u>\$ (2,108,137)</u>	<u>\$ 346,661</u>	<u>\$ (17,692,441)</u>
Total capital assets being depreciated, net	<u>\$ 45,408,828</u>	<u>\$ (1,426,026)</u>	<u>\$ (547,537)</u>	<u>\$ 43,435,265</u>
Governmental activities capital assets, net	<u>\$ 48,269,245</u>	<u>\$ (62,625)</u>	<u>\$ (700,436)</u>	<u>\$ 47,506,184</u>

During the fiscal year the County transferred assets to the School Board with an original cost of \$700,000 and accumulated depreciation of \$192,548 (net book value \$507,452).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 11-Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 218,005	\$ 15,200	\$ -	\$ 233,205
Construction in progress	1,684,384	3,040,822	(1,262,914)	3,462,292
Total capital assets not being depreciated	<u>\$ 1,902,389</u>	<u>\$ 3,056,022</u>	<u>\$ (1,262,914)</u>	<u>\$ 3,695,497</u>
Capital assets, being depreciated:				
Utility plant in service	\$ 53,127,030	\$ 1,262,915	\$ -	\$ 54,389,945
Machinery and equipment	178,224	147,960	-	326,184
Total capital assets being depreciated	<u>\$ 53,305,254</u>	<u>\$ 1,410,875</u>	<u>\$ -</u>	<u>\$ 54,716,129</u>
Accumulated depreciation:				
Utility plant in service	\$ (13,655,825)	\$ (1,327,894)	\$ -	\$ (14,983,719)
Machinery and equipment	(122,248)	(12,316)	-	(134,564)
Total accumulated depreciation	<u>\$ (13,778,073)</u>	<u>\$ (1,340,210)</u>	<u>\$ -</u>	<u>\$ (15,118,283)</u>
Total capital assets being depreciated, net	<u>\$ 39,527,181</u>	<u>\$ 70,665</u>	<u>\$ -</u>	<u>\$ 39,597,846</u>
Business-type activities capital assets, net	<u>\$ 41,429,570</u>	<u>\$ 3,126,687</u>	<u>\$ (1,262,914)</u>	<u>\$ 43,293,343</u>

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

Governmental activities:	
General government administration	\$ 26,581
Judicial administration	2,641
Public safety	312,952
Public works	354,718
Health and welfare	4,864
Education	1,105,662
Parks, recreation, and culture	18,057
Community development	282,662
Total depreciation expense-governmental activities	<u>\$ 2,108,137</u>
Business type activities:	
Water and sewer	\$ 1,340,210
Total depreciation expense-Primary Government	<u>\$ 3,448,347</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 11-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2016 was as follows:

Discretely Presented Component Unit-School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 774,089	\$ -	\$ -	\$ 774,089
Construction in progress	49,256	144,559	(193,815)	-
Total capital assets not being depreciated	<u>\$ 823,345</u>	<u>\$ 144,559</u>	<u>\$ (193,815)</u>	<u>\$ 774,089</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 23,793,991	\$ 893,815	\$ -	\$ 24,687,806
Machinery and equipment	7,961,454	214,548	-	8,176,002
Total capital assets being depreciated	<u>\$ 31,755,445</u>	<u>\$ 1,108,363</u>	<u>\$ -</u>	<u>\$ 32,863,808</u>
Accumulated depreciation:				
Buildings and improvements	\$ (12,665,940)	\$ (574,123)	\$ -	\$ (13,240,063)
Machinery and equipment	(5,461,281)	(452,800)	-	(5,914,081)
Total accumulated depreciation	<u>\$ (18,127,221)</u>	<u>\$ (1,026,923)</u>	<u>\$ -</u>	<u>\$ (19,154,144)</u>
Total capital assets being depreciated, net	<u>\$ 13,628,224</u>	<u>\$ 81,440</u>	<u>\$ -</u>	<u>\$ 13,709,664</u>
Governmental activities capital assets, net	<u>\$ 14,451,569</u>	<u>\$ 225,999</u>	<u>\$ (193,815)</u>	<u>\$ 14,483,753</u>

During the fiscal year the County transferred assets to the School Board with an original cost of \$700,000 and accumulated depreciation of \$192,548 (net book value \$507,452).

All depreciation of the component-unit School Board is posted to the education function in the financial statements.

Note 12-Risk Management:

The County and School Board are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The County and School Board participate with other localities in a public entity risk pool for their coverage of worker's compensation with the Virginia Municipal League Pool and public officials liability with the Virginia Association of Counties Group Self Insurance Risk Pool. The County pays an annual premium to the pools for its general insurance coverage. The agreement for the formation of the pools provides that the pool will be self-sustaining through member premiums. The County and School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 13-Commitments and Contingent Liabilities:

Federal programs in which the County and its component unit participate were audited in accordance with the provisions of U.S. Office of Management and Budget Uniform Guidance. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no material matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

The County and School Board had the following construction commitments at June 30, 2016:

Project	Original Contract Amount	Outstanding at June 30, 2016
<u>County</u>		
Speedwell Phase II Water Extension	\$ 1,558,870	\$ 1,471,702
Kitchen, Wilkins & Nixon Rds	369,196	284,554
Jackson School Waterline	240,866	26,579
Castleton Rd Waterline	2,804,639	1,201,500
Appalachian Expo (engineering)	62,200	23,640
Totals	<u>\$ 5,035,771</u>	<u>\$ 3,007,975</u>

Note 14-Surety Bonds:

Primary Government:

<u>Fidelity & Deposit Company of Maryland-Surety:</u>	
Hayden H. Horney, Clerk of the Circuit Court	\$ 1,500,000
Lori Guynn, Treasurer	400,000
Faye Barker, Commissioner of the Revenue	3,000
Keith Dunagen, Sheriff	30,000
<u>Aetna Casualty and Surety - Surety:</u>	
All social services employees: blanket bond	\$ 100,000
<u>United States Fidelity and Guaranty Company-Surety:</u>	
R. Cellell Dalton, County Administrator	\$ 2,000
Martha Collins, Administrative Secretary	2,000
Tim Spraker, Building Inspector	2,000
Stephen Bear, Assistant County Administrator	2,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 14-Surety Bonds: (Continued)

Component Unit - School Board:

<u>United States Fire Insurance Company - Surety:</u>	
Sara Dickens, Clerk of the School Board	\$ 25,000
All school board employees: blanket bond	10,000

Note 15-Transfer Station Closure Costs:

State and federal laws and regulations require the County to clean up the transfer station site (used by the Wythe-Bland PSA) when it stops accepting waste. Total cost estimated for cleanup of the transfer site are estimated to be \$72,303. This amount is based on what it would cost to perform all care in 2016. Actual costs for may change due to inflation, deflation, changes in technology or changes in regulations. The County has demonstrated financial assurance requirements for closure and postclosure care through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

Note 16-Unearned and Deferred/Unavailable Revenue:

Unearned and 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.

Primary Government:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$1,286,203 at June 30, 2016.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2016 but paid in advance by the taxpayers totaled \$110,160.

Unavailable Land Held for Resale - Unavailable revenue represents the proceeds of land held for resale of which are not available for funding of current expenditures totaled \$14,033,131 at June 30, 2016.

Note 17-Other Postemployment Benefits - Health Insurance:

From an accrual accounting perspective, the cost of post employment health care benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In adopting the requirements of GASB Statement No. 45, the County and the School Board recognize 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 County's and the School Board's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 17-Other Postemployment Benefits - Health Insurance: (Continued)

Primary Government

A. Plan Description

The County administers a single-employer healthcare plan (“the Plan”). The Plan provides for participation by eligible retirees of the County and their dependents in the health and dental insurance programs available to County employees. The Plan will provide retiring employees the option to continue health and dental insurance offered by the County. An eligible County retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have 10 years of service with the County and the employee must have attained the age of fifty (50). Alternatively, an employee is also eligible to participate at age fifty-five (55) with 5 years of service. The benefits, employee contributions and the employer contributions are governed by the County Board and can be amended through Board action. The Plan does not issue a publicly available financial report.

B. Funding Policy

The County currently pays for post-retirement health care benefits on a pay-as-you-go basis. The County currently has 135 employees that are eligible for the program. In addition, for retirees of the County, 100 percent of premiums are the responsibility of the retiree. The rates were as follows:

Participants	Premiums	
	Key Advantage 500	Key Advantage Expanded
Employee	\$ 537	\$ 620
Employee + One	993	1,147
Employee + Family	1,450	1,674

C. Annual OPEB Cost and Net OPEB Obligation

The County is required to contribute 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 costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For 2016, the County’s annual OPEB cost (expense) of \$77,600 did not equal the ARC of \$78,100. The obligation calculation is as follows:

Annual required contribution	\$ 78,100
Interest on net OPEB obligation	13,300
Adjustment to annual required contribution	(13,800)
Annual OPEB cost (expense)	\$ 77,600
Contributions made	(38,700)
Increase in net OPEB obligation	\$ 38,900
Net OPEB obligation - beginning of year	332,400
Net OPEB obligation - ending of year	\$ 371,300

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 17-Other Postemployment Benefits - Health Insurance: (Continued)

Primary Government (Continued)

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

The County’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 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 77,600	49.87%	\$ 371,300
6/30/2015	75,100	65.25%	332,400
6/30/2014	69,100	28.80%	306,300

D. Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2014 (the most recent actuarial valuation date), was as follows:

Actuarial accrued liability (AAL)	\$ 918,900
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 918,900
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 4,940,556
UAAL as a percentage of covered payroll	18.60%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in 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 revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, 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.

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. 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.

Note 17-Other Postemployment Benefits - Health Insurance: (Continued)

Primary Government (Continued)

E. Actuarial Methods and Assumptions

As of July 1, 2014, the most recent actuarial valuation date, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, an investment rate of return at 4.0%, and a health care trend rate of 8.0% decreasing 0.5% per year until an ultimate rate of 5.0% is reached. The UAAL is being amortized as a level percentage over the remaining amortization period, which at July 1, 2014, was 30 years.

Note 18-Other Postemployment Benefits - Health Insurance - Component Unit:

Component Unit: School Board

A. Plan Description

The Component Unit - School Board administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees of the School Board and their dependents in the health and dental insurance programs available to School Board employees. The Plan will provide retiring employees the option to continue health and dental insurance offered by the School Board. An eligible School Board retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have 10 years of service with the School Board and the employee must have attained the age of fifty (50). Alternatively, an employee is also eligible to participate at age fifty-five (55) with 5 year of service. The benefits, employee contributions and the employer contributions are governed by the School Board and can be amended through Board action. The Plan does not issue a publicly available financial report.

B. Funding Policy

The School Board currently pays for post-retirement health care benefits on a pay-as-you-go basis. The School Board currently has 601 employees that are eligible for the program. In addition, for retirees of the School Board, 100 percent of premiums are the responsibility of the retiree. The rates were as follows:

Participants	Premiums	
	Key Advantage 500	Key Advantage Expanded
Employee	\$ 537	\$ 620
Employee + One	993	1,147
Employee + Family	1,450	1,674

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 18-Other Postemployment Benefits - Health Insurance - Component Unit: (Continued)

Component Unit: School Board (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

The Board is required to contribute 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 costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For 2016, the Board's annual OPEB cost (expense) of \$332,700 did not equal the ARC of \$334,100. The obligation calculation is as follows:

Annual required contribution	\$	334,100
Interest on net OPEB obligation		32,400
Adjustment to annual required contribution		(33,800)
Annual OPEB cost (expense)	\$	332,700
Contributions made		(236,100)
Increase in net OPEB obligation	\$	96,600
Net OPEB obligation - beginning of year		811,000
Net OPEB obligation - ending of year	\$	907,600

The Board'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 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 332,700	70.96%	\$ 907,600
6/30/2015	323,600	76.24%	811,000
6/30/2014	290,500	64.82%	734,100

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Note 18-Other Postemployment Benefits - Health Insurance - Component Unit: (Continued)

Component Unit: School Board (Continued)

D. Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2014 (the most recent valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 4,039,300
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 4,039,300
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 21,936,844
UAAL as a percentage of covered payroll	18.41%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in 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 revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, 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. 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.

As of July 1, 2014, the most recent actuarial valuation date, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, an investment rate of return at 4.0%, and a health care trend rate of 8.0% decreasing 0.5% per year until an ultimate rate of 5.0% is reached. The UAAL is being amortized as a level percentage over the remaining amortization period, which at July 1, 2014, was 30 years.

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Note 19-Other Postemployment Benefits - VRS Health Insurance Credit:

Primary Government

A. Plan Description

The County participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is an agent and cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

An employee of the County, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 9.

B. Funding Policy

As a participating local political subdivision, the County is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2016 was 0.13% of annual covered payroll.

C. Annual OPEB Cost and Net OPEB Obligation:

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The County is required to contribute the 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 19-Other Postemployment Benefits - VRS Health Insurance Credit: (Continued)

Primary Government (Continued)

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

For 2016, the County's contribution of \$2,143 was equal to the ARC and OPEB cost. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the preceding two years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 2,143	100.00%	\$ -
6/30/2015	2,106	100.00%	-
6/30/2014	327	100.00%	-

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2015, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 121,188
Actuarial value of plan assets	133,255
Unfunded actuarial accrued liability (UAAL)	\$ (12,067)
Funded ratio (actuarial value of plan assets/AAL)	109.96%
Covered payroll (active plan members)	\$ 1,834,658
UAAL as a percentage of covered payroll	-0.66%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. 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 revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Note 19-Other Postemployment Benefits - VRS Health Insurance Credit: (Continued)

Primary Government (Continued)

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) 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. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2015 was 19-28 years.

The Retiree Health Insurance Credit benefit is based on a member's employer eligibility and his or her years of service. The monthly maximum credit amount cannot exceed the member's actual health insurance premium costs. The actuarial valuation for this plan assumes the maximum credit is payable for each eligible member. Since this benefit is a flat dollar amount multiplied by years of service and the maximum benefit is assumed, no assumption relating to healthcare cost trend rates is needed or applied.

Non Professional Employees - Discretely Presented Component Unit School Board

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

An employee of the School Board, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 9.

Note 19-Other Postemployment Benefits - VRS Health Insurance Credit: (Continued)

Non Professional Employees - Discretely Presented Component Unit School Board (Continued)

B. Funding Policy

As a participating local political subdivision, the School Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. Contribution rates were 0.77%, 0.77%, and 0.77%, of annual covered payroll for the years ending June 30, 2016, 2015, and 2014, respectively. The School Board's actual contributions to VRS for the years ending June 30, 2016, 2015, and 2014 were \$9,538, \$9,461, and \$9,239, respectively and equaled the required contributions for each year.

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The School Board is required to contribute the 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.

For 2016, the School Board's annual contribution of \$9,591 equaled the annual required contribution and OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were for the current and preceding two years as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 9,591	100.00%	\$ -
6/30/2015	9,461	100.00%	-
6/30/2014	9,239	100.00%	-

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Note 19-Other Postemployment Benefits - VRS Health Insurance Credit: (Continued)

Non-Professional Employees - Discretely Presented Component Unit School Board (Continued)

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2015 (date of the most recent actuarial valuation), was as follows:

Actuarial accrued liability (AAL)	\$	162,239
Actuarial value of plan assets	\$	38,167
Unfunded actuarial accrued liability (UAAL)	\$	124,072
Funded ratio (actuarial value of plan assets/AAL)		23.53%
Covered payroll (active plan members)	\$	1,209,154
UAAL as a percentage of covered payroll		10.26%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. 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 revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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. The actuarial value of the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The 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 June 30, 2015, most recent actuarial valuation, the entry age normal cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, payroll growth rate of 3% and investment rate of return at 7.00%. The UAAL is being amortized as a level dollar amount over the remaining amortization period, which at June 30, 2015, was 19-28 years. Amortizations are open ended in that they begin anew at each valuation date.

Note 19-Other Postemployment Benefits - VRS Health Insurance Credit: (Continued)

Professional Employees - Discretely Presented Component Unit School Board

A. Plan Description

The School Board participates in Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. Contribution rates were 1.06%, 1.06%, and 1.11%, of annual covered payroll for the years ending June 30, 2016, 2015, and 2014, respectively. The School Board's contributions to VRS for the years ending June 30, 2016, 2015, and 2014 were \$217,314, \$216,021, and \$198,583, respectively and equaled the required contributions for each year.

Note 20-Adoption of Accounting Principles:

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

The County 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 20-Adoption of Accounting Principles: (Continued)

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

The County 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 County 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 County's financial statement as a result of the implementation of Statement No. 72. All required disclosures are located in Note 4.

Note 21-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. No formal study or estimate of the impact of this standard has been performed.

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. No formal study or estimate of the impact of this standard has been performed.

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. No formal study or estimate of the impact of this standard has been performed.

Required Supplementary Information

County of Wythe, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 18,418,200	\$ 18,418,200	\$ 18,524,308	\$ 106,108
Other local taxes	5,585,000	5,585,000	5,796,378	211,378
Permits, privilege fees, and regulatory licenses	65,100	65,100	77,292	12,192
Fines and forfeitures	1,400,000	1,400,000	1,399,738	(262)
Revenue from the use of money and property	722,948	722,948	895,853	172,905
Charges for services	710,300	712,355	318,716	(393,639)
Miscellaneous	127,000	141,000	305,712	164,712
Recovered costs	599,111	602,063	565,255	(36,808)
Intergovernmental:				
Commonwealth	9,940,892	10,025,834	8,342,793	(1,683,041)
Federal	2,168,795	2,168,795	2,445,955	277,160
Total revenues	\$ 39,737,346	\$ 39,841,295	\$ 38,672,000	\$ (1,169,295)
EXPENDITURES				
Current:				
General government administration	\$ 2,451,555	\$ 2,615,919	\$ 1,966,330	\$ 649,589
Judicial administration	1,594,798	1,600,967	1,523,426	77,541
Public safety	6,709,206	7,289,033	6,125,887	1,163,146
Public works	2,016,737	2,138,524	1,905,660	232,864
Health and welfare	7,326,345	7,326,345	6,991,520	334,825
Education	12,982,035	13,034,311	12,804,555	229,756
Parks, recreation, and cultural	616,347	626,888	535,211	91,677
Community development	791,061	1,320,444	988,124	332,320
Capital projects	4,066,000	5,135,511	2,092,520	3,042,991
Debt service:				
Principal retirement	2,768,874	2,703,874	2,585,621	118,253
Interest and other fiscal charges	1,169,419	1,299,929	1,295,202	4,727
Total expenditures	\$ 42,492,377	\$ 45,091,745	\$ 38,814,056	\$ 6,277,689
Excess (deficiency) of revenues over (under) expenditures	\$ (2,755,031)	\$ (5,250,450)	\$ (142,056)	\$ 5,108,394
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 1,887,452	\$ 1,887,452
Transfers out	-	-	(333,822)	(333,822)
Issuance of general obligation bonds	-	-	50,000	50,000
Issuance of capital leases	207,000	207,000	153,827	(53,173)
Sale of capital assets	-	-	23,761	23,761
Total other financing sources (uses)	\$ 207,000	\$ 207,000	\$ 1,781,218	\$ 1,574,218
Net change in fund balances	\$ (2,548,031)	\$ (5,043,450)	\$ 1,639,162	\$ 6,682,612
Fund balances - beginning	3,531,857	15,788,450	36,153,566	20,365,116
Fund balances - ending	\$ 983,826	\$ 10,745,000	\$ 37,792,728	\$ 27,047,728

County of Wythe, Virginia
Schedule of OPEB Funding Progress
As of June 30, 2016

County Healthcare Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2014	\$ -	\$ 918,900	\$ 918,900	0.00%	\$ 4,940,556	18.60%
7/1/2012	-	716,500	716,500	0.00%	5,537,675	12.94%
7/1/2010	-	901,200	901,200	0.00%	5,503,641	16.37%

County Health Insurance Credit Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2015	\$ 133,255	\$ 121,188	\$ (12,067)	109.96%	\$ 1,834,658	-0.66%
6/30/2014	134,934	123,533	(11,401)	109.23%	1,792,636	-0.64%
6/30/2013	125,650	117,111	(8,539)	107.29%	1,683,673	-0.51%

School Board Healthcare Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2014	\$ -	\$ 4,039,300	\$ 4,039,300	0.00%	\$ 21,936,844	18.41%
7/1/2012	-	3,398,200	3,398,200	0.00%	20,216,325	16.81%
7/1/2010	-	3,604,800	3,604,800	0.00%	20,434,400	17.64%

School Board Health Insurance Credit Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2015	\$ 38,167	\$ 162,239	\$ 124,072	23.53%	\$ 1,209,154	10.26%
6/30/2014	42,975	163,111	120,136	26.35%	1,276,092	9.41%
6/30/2013	42,753	163,245	120,492	26.19%	1,137,746	10.59%

County of Wythe, Virginia
 Schedule of Employer's Proportionate Share of the Net Pension Liability
 June 30, 2016

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
Primary Government - County Retirement Plan					
2015	92.90%	\$ 2,513,192	\$ 6,040,131	41.61%	92.90%
2014	96.42%	2,483,113	6,030,523	41.18%	91.69%
Component Unit School Board (professional)					
2015	0.2741%	\$ 34,501,000	\$ 20,379,338	169.29%	70.68%
2014	0.2808%	33,939,000	18,333,516	185.12%	70.88%

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.

County of Wythe, Virginia
 Schedule of Components of and Changes in Net Pension Liability and Related Ratios
 Component Unit School Board (nonprofessional)
 For the Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 149,645	\$ 133,560
Interest	398,722	388,911
Differences between expected and actual experience	90,642	-
Benefit payments, including refunds of employee contributions	(388,295)	(376,325)
Net change in total pension liability	\$ 250,714	\$ 146,146
Total pension liability - beginning	5,890,183	5,744,037
Total pension liability - ending (a)	\$ 6,140,897	\$ 5,890,183
Plan fiduciary net position		
Contributions - employer	\$ 134,262	\$ 133,742
Contributions - employee	60,221	62,468
Net investment income	247,316	764,259
Benefit payments, including refunds of employee contributions	(388,295)	(376,325)
Administrative expense	(3,530)	(4,237)
Other	(51)	40
Net change in plan fiduciary net position	\$ 49,923	\$ 579,947
Plan fiduciary net position - beginning	5,517,854	4,937,907
Plan fiduciary net position - ending (b)	\$ 5,567,777	\$ 5,517,854
School Division's net pension liability - ending (a) - (b)	\$ 573,120	\$ 372,329
Plan fiduciary net position as a percentage of the total pension liability	90.67%	93.68%
Covered payroll	\$ 1,228,806	\$ 1,243,058
School Division's net pension liability as a percentage of covered payroll	46.64%	29.95%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is unavailable. However, additional years will be included as they become available.

County of Wythe, Virginia
Schedule of Employer Contributions
For the Year Ended June 30, 2016

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)
Primary Government					
2016	\$ 709,867	\$ 709,867	-	\$ 6,168,475	11.51%
2015	700,844	700,844	-	6,040,131	11.60%
Component Unit School Board (nonprofessional)					
2016	\$ 134,009	\$ 134,009	-	\$ 1,240,650	10.80%
2015	134,362	134,362	-	1,228,806	10.93%
2014	133,742	133,742	-	1,243,058	10.76%
2013	125,228	125,228	-	1,162,746	10.77%
2012	138,525	138,525	-	1,565,251	8.85%
2011	135,500	135,500	-	1,531,077	8.85%
2010	128,027	128,027	-	1,572,810	8.14%
2009	125,363	125,363	-	1,540,090	8.14%
2008	139,046	139,046	-	1,487,121	9.35%
2007	136,210	136,210	-	1,456,795	9.35%
Component Unit School Board (professional)					
2016	\$ 2,853,193	\$ 2,853,193	-	\$ 20,401,102	13.99%
2015	2,946,998	2,946,998	-	20,379,338	14.46%
2014	2,137,688	2,137,688	-	18,333,516	11.66%
2013	2,372,402	2,372,402	-	20,346,501	11.66%
2012	1,215,732	1,215,732	-	19,205,877	6.33%
2011	973,244	973,244	-	24,764,478	3.93%
2010	1,586,501	1,586,501	-	18,007,957	8.81%
2009	2,283,774	2,283,774	-	25,922,520	8.81%
2008	1,984,751	1,984,751	-	19,269,427	10.30%
2007	1,696,818	1,696,818	-	18,443,674	9.20%

Current year contributions are from City and School Board records and prior year contributions are from the VRS actuarial valuation performed each year.

Schedule is intended to show information for 10 years. Prior to 2015 the County information reported in the County's reported included participants that are not reported in the County's report. Therefore, no additional data is currently available for the County. Additional years will be included as they become available.

County of Wythe, Virginia
Notes to Required Supplementary Information
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

Component Unit School Board - Professional Employees

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

Other Supplementary Information

County of Wythe, Virginia
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ 107,500	\$ 107,500	\$ 115,850	\$ 8,350
Charges for services	49,300	49,300	142,129	92,829
Miscellaneous	-	-	21,000	21,000
Total revenues	<u>\$ 156,800</u>	<u>\$ 156,800</u>	<u>\$ 278,979</u>	<u>\$ 122,179</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	\$ 1,967,337	\$ 1,967,337
Transfers out	-	-	(3,164,032)	(3,164,032)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,196,695)</u>	<u>\$ (1,196,695)</u>
Net change in fund balances	\$ 156,800	\$ 156,800	\$ (917,716)	\$ (1,074,516)
Fund balances - beginning	1,458,024	1,458,024	7,317,803	5,859,779
Fund balances - ending	<u>\$ 1,614,824</u>	<u>\$ 1,614,824</u>	<u>\$ 6,400,087</u>	<u>\$ 4,785,263</u>

**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
MAJOR GOVERNMENTAL FUNDS**

School Operating Fund - The School Operating Fund accounts for and reports the operations of the County's school system. Financing is provided by the State and Federal governments as well as contributions from the General Fund.

County of Wythe, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2016

		<u>School Operating Fund</u>
ASSETS		
Cash and cash equivalents	\$	2,898,135
Receivables (net of allowance for uncollectibles):		
Accounts receivable		311,059
Due from other governmental units		1,401,950
Prepaid items		290,900
Total assets		<u>\$ 4,902,044</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$	145,327
Salaries payable		2,415,038
Total liabilities		<u>\$ 2,560,365</u>
Fund balances:		
Nonspendable	\$	290,900
Restricted:		
School cafeterias		244,761
Unassigned		1,806,018
Total fund balances		<u>\$ 2,341,679</u>
Total liabilities and fund balances		<u>\$ 4,902,044</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Total fund balances per above	\$	2,341,679
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	774,089
Buildings and improvements		11,447,743
Machinery and equipment		2,261,921
		<u>14,483,753</u>
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Items related to measurement of net pension liability		(3,721,415)
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.		
		2,987,202
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	\$	(602,111)
Net OPEB obligation		(907,600)
Net pension liability		(35,074,120)
Items related to measurement of net pension liability		<u>53,494</u>
		<u>(36,530,337)</u>
Net position of governmental activities		<u>\$ (20,439,118)</u>

County of Wythe, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2016

		<u>School Operating Fund</u>
REVENUES		
Revenue from the use of money and property	\$	5,599
Charges for services		1,163,863
Miscellaneous		229,779
Recovered costs		694,064
Intergovernmental:		
Local government		12,765,086
Commonwealth		24,255,524
Federal		3,444,466
Total revenues		<u>\$ 42,558,381</u>
EXPENDITURES		
Current:		
Education	\$	42,013,751
Capital projects		147,273
Total expenditures		<u>\$ 42,161,024</u>
Excess (deficiency) of revenues over (under) expenditures	\$	<u>397,357</u>
OTHER FINANCING SOURCES (USES)		
Sale of capital assets	\$	10,620
Total other financing sources (uses)		<u>\$ 10,620</u>
Net change in fund balances	\$	407,977
Fund balances - beginning		1,933,702
Fund balances - ending		<u>\$ 2,341,679</u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:		
Net change in fund balances - total governmental funds - per above	\$	407,977
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 depreciation exceeded the capital outlays in the current period.		
Capital outlays	\$	359,107
Depreciation expenses		<u>(834,375)</u>
		(475,268)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		
Transfer of asset from County (net book value)		507,452
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred inflows related to the measurement of the net pension liability		1,939,631
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.		
Decrease (increase) in compensated absences	\$	(30,091)
(Increase) decrease in net OPEB obligation		(96,600)
Change in net pension liability		(762,791)
Change in deferred outflows related to pensions		<u>(40,665)</u>
		(930,147)
Change in net position of governmental activities		<u>\$ 1,449,645</u>

County of Wythe, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2016

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 5,599	\$ 5,599
Charges for services	1,003,000	1,003,000	1,163,863	160,863
Miscellaneous	53,926	236,306	229,779	(6,527)
Recovered costs	509,000	509,000	694,064	185,064
Intergovernmental:				
Local government	12,942,566	12,994,842	12,765,086	(229,756)
Commonwealth	24,219,392	24,266,108	24,255,524	(10,584)
Federal	3,606,124	3,606,124	3,444,466	(161,658)
Total revenues	<u>\$ 42,334,008</u>	<u>\$ 42,615,380</u>	<u>\$ 42,558,381</u>	<u>\$ (56,999)</u>
EXPENDITURES				
Current:				
Education	\$ 42,334,008	\$ 42,496,047	\$ 42,013,751	\$ 482,296
Capital projects	-	119,333	147,273	(27,940)
Total expenditures	<u>\$ 42,334,008</u>	<u>\$ 42,615,380</u>	<u>\$ 42,161,024</u>	<u>\$ 454,356</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 397,357	\$ 397,357
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	\$ -	\$ -	\$ 10,620	\$ 10,620
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,620</u>	<u>\$ 10,620</u>
Net change in fund balances	\$ -	\$ -	\$ 407,977	\$ 407,977
Fund balances - beginning	-	-	1,933,702	1,933,702
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,341,679</u>	<u>\$ 2,341,679</u>

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

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 11,007,200	\$ 11,007,200	\$ 11,083,543	\$ 76,343
Real and personal public service corporation taxes	961,000	961,000	1,125,792	164,792
Personal property taxes	4,080,000	4,080,000	4,207,007	127,007
Mobile home taxes	65,000	65,000	96,299	31,299
Machinery and tools taxes	1,801,000	1,801,000	1,366,233	(434,767)
Merchant's capital taxes	354,000	354,000	368,267	14,267
Penalties	50,000	50,000	103,740	53,740
Interest	100,000	100,000	173,427	73,427
Total general property taxes	<u>\$ 18,418,200</u>	<u>\$ 18,418,200</u>	<u>\$ 18,524,308</u>	<u>\$ 106,108</u>
Other local taxes:				
Local sales and use taxes	\$ 3,400,000	\$ 3,400,000	\$ 3,540,397	\$ 140,397
Consumers' utility taxes	730,000	730,000	614,426	(115,574)
Consumption tax (Utility license tax)	-	-	93,753	93,753
Motor vehicle licenses	360,000	360,000	391,878	31,878
Bank stock taxes	30,000	30,000	37,199	7,199
Taxes on recordation and wills	150,000	150,000	142,362	(7,638)
Hotel and motel room taxes	165,000	165,000	185,062	20,062
Restaurant food taxes	750,000	750,000	791,301	41,301
Total other local taxes	<u>\$ 5,585,000</u>	<u>\$ 5,585,000</u>	<u>\$ 5,796,378</u>	<u>\$ 211,378</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 7,000	\$ 7,000	\$ 5,985	\$ (1,015)
Land use application fees	100	100	1,690	1,590
Transfer fees	500	500	868	368
Building permits	50,000	50,000	42,822	(7,178)
Other permits and licenses	7,500	7,500	25,927	18,427
Total permits, privilege fees, and regulatory licenses	<u>\$ 65,100</u>	<u>\$ 65,100</u>	<u>\$ 77,292</u>	<u>\$ 12,192</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 1,400,000	\$ 1,400,000	\$ 1,399,738	\$ (262)
Total fines and forfeitures	<u>\$ 1,400,000</u>	<u>\$ 1,400,000</u>	<u>\$ 1,399,738</u>	<u>\$ (262)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 509,670	\$ 509,670	\$ 649,353	\$ 139,683
Revenue from use of property	213,278	213,278	246,500	33,222
Total revenue from use of money and property	<u>\$ 722,948</u>	<u>\$ 722,948</u>	<u>\$ 895,853</u>	<u>\$ 172,905</u>
Charges for services:				
Charges for sheriff's fees	\$ 1,500	\$ 1,500	\$ 1,557	\$ 57
Charges for animal control	2,000	2,000	7,811	5,811
Charges for Commonwealth's Attorney	1,000	1,000	6,259	5,259
Charges for courthouse security	220,000	220,000	224,488	4,488
Charges for law library	5,800	5,800	5,113	(687)
Charges for parks and recreation	75,000	77,055	73,488	(3,567)
Charges for miscellaneous	405,000	405,000	-	(405,000)
Total charges for services	<u>\$ 710,300</u>	<u>\$ 712,355</u>	<u>\$ 318,716</u>	<u>\$ (393,639)</u>
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 4,507	\$ 4,507
Revenue sharing payment	127,000	127,000	140,000	13,000
Local grants and contributions	-	14,000	161,205	147,205
Total miscellaneous	<u>\$ 127,000</u>	<u>\$ 141,000</u>	<u>\$ 305,712</u>	<u>\$ 164,712</u>

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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Social services	\$ 75,000	\$ 75,000	\$ 66,000	\$ (9,000)
Other recovered costs	524,111	527,063	499,255	(27,808)
Total recovered costs	<u>\$ 599,111</u>	<u>\$ 602,063</u>	<u>\$ 565,255</u>	<u>\$ (36,808)</u>
Total revenue from local sources	<u>\$ 27,627,659</u>	<u>\$ 27,646,666</u>	<u>\$ 27,883,252</u>	<u>\$ 236,586</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 55,254	\$ 55,254	\$ 43,627	\$ (11,627)
Communication sales and use tax	760,000	760,000	737,909	(22,091)
Mobile home titling tax	20,000	20,000	29,655	9,655
Grantor's tax	30,000	30,000	42,381	12,381
State recordation tax	38,258	38,258	49,934	11,676
Personal property tax relief funds	1,500,000	1,500,000	1,500,814	814
Total noncategorical aid	<u>\$ 2,403,512</u>	<u>\$ 2,403,512</u>	<u>\$ 2,404,320</u>	<u>\$ 808</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 459,634	\$ 459,634	\$ 507,855	\$ 48,221
Sheriff	1,270,256	1,270,256	1,391,932	121,676
Commissioner of revenue	102,128	102,128	113,042	10,914
Treasurer	109,531	109,531	116,396	6,865
Registrar/electoral board	37,813	37,813	49,063	11,250
Clerk of the Circuit Court	296,396	296,396	321,734	25,338
Total shared expenses	<u>\$ 2,275,758</u>	<u>\$ 2,275,758</u>	<u>\$ 2,500,022</u>	<u>\$ 224,264</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 1,561,441	\$ 1,561,441	\$ 1,382,654	\$ (178,787)
Comprehensive Services Act program	1,459,301	1,459,301	1,356,814	(102,487)
Litter control grant	8,000	8,000	9,841	1,841
Fire program grant	55,000	55,000	61,932	6,932
Wireless E-911 grant	30,000	30,000	44,075	14,075
Governor's opportunity funds	1,000,000	1,000,000	175,000	(825,000)
Four for life grant	29,500	105,816	28,965	(76,851)
Arts grant	5,000	5,000	5,000	-
Asset forfeiture collections	-	-	12,645	12,645
VJCCA	32,147	32,147	33,156	1,009
VDOT Fund	-	-	1,025	1,025
Victim witness grant	46,418	53,690	64,985	11,295
Local law enforcement block grant	34,815	34,815	1,005	(33,810)
Tobacco indemnification funds	1,000,000	1,000,000	260,000	(740,000)
Other state grants	-	1,354	1,354	-
Total other categorical aid	<u>\$ 5,261,622</u>	<u>\$ 5,346,564</u>	<u>\$ 3,438,451</u>	<u>\$ (1,908,113)</u>
Total categorical aid	<u>\$ 7,537,380</u>	<u>\$ 7,622,322</u>	<u>\$ 5,938,473</u>	<u>\$ (1,683,849)</u>
Total revenue from the Commonwealth	<u>\$ 9,940,892</u>	<u>\$ 10,025,834</u>	<u>\$ 8,342,793</u>	<u>\$ (1,683,041)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 80,000	\$ 80,000	\$ 71,227	\$ (8,773)
Total noncategorical aid	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ 71,227</u>	<u>\$ (8,773)</u>

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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid:				
Public assistance and welfare administration	\$ 2,075,795	\$ 2,075,795	\$ 2,250,189	\$ 174,394
State and Highway Safety Grants	-	-	52,918	52,918
Victim witness grant	-	-	676	676
Violence against women formula grant	-	-	24,919	24,919
Emergency management grant	13,000	13,000	13,017	17
Asset forfeiture funds	-	-	33,009	33,009
Total categorical aid	<u>\$ 2,088,795</u>	<u>\$ 2,088,795</u>	<u>\$ 2,374,728</u>	<u>\$ 285,933</u>
Total revenue from the federal government	<u>\$ 2,168,795</u>	<u>\$ 2,168,795</u>	<u>\$ 2,445,955</u>	<u>\$ 277,160</u>
Total General Fund	<u><u>\$ 39,737,346</u></u>	<u><u>\$ 39,841,295</u></u>	<u><u>\$ 38,672,000</u></u>	<u><u>\$ (1,169,295)</u></u>
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 100,000	\$ 100,000	\$ 108,250	\$ 8,250
Revenue from the use of property	7,500	7,500	7,600	100
Total revenue from use of money and property	<u>\$ 107,500</u>	<u>\$ 107,500</u>	<u>\$ 115,850</u>	<u>\$ 8,350</u>
Charges for services:				
Charges for courthouse maintenance	\$ 46,000	\$ 46,000	\$ 40,647	\$ (5,353)
Electronic summons fees	-	-	97,528	\$ 97,528
Charges for jail processing	3,300	3,300	3,954	654
Total charges for services	<u>\$ 49,300</u>	<u>\$ 49,300</u>	<u>\$ 142,129</u>	<u>\$ 92,829</u>
Miscellaneous:				
Industrial development funds	\$ -	\$ -	\$ 21,000	\$ 21,000
Total miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,000</u>	<u>\$ 21,000</u>
Total revenue from local sources	<u>\$ 156,800</u>	<u>\$ 156,800</u>	<u>\$ 278,979</u>	<u>\$ 122,179</u>
Total County Capital Improvements Fund	<u><u>\$ 156,800</u></u>	<u><u>\$ 156,800</u></u>	<u><u>\$ 278,979</u></u>	<u><u>\$ 122,179</u></u>
Total Primary Government	<u><u><u>\$ 39,894,146</u></u></u>	<u><u><u>\$ 39,998,095</u></u></u>	<u><u><u>\$ 38,950,979</u></u></u>	<u><u><u>\$ (1,047,116)</u></u></u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 5,599	\$ 5,599
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,599</u>	<u>\$ 5,599</u>
Charges for services:				
Cafeteria sales	\$ 710,000	\$ 710,000	\$ 595,962	\$ (114,038)
Payments from other divisions	57,000	57,000	66,122	9,122
Transportation of pupils	36,000	36,000	43,741	7,741
Dual course credits	200,000	200,000	455,471	255,471
Charges for textbooks	-	-	2,567	2,567
Total charges for services	<u>\$ 1,003,000</u>	<u>\$ 1,003,000</u>	<u>\$ 1,163,863</u>	<u>\$ 160,863</u>
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 4,300	\$ 4,300
Contributions and donations	-	182,380	179,999	(2,381)
Foundation for excellence	53,926	53,926	45,480	(8,446)
Total miscellaneous	<u>\$ 53,926</u>	<u>\$ 236,306</u>	<u>\$ 229,779</u>	<u>\$ (6,527)</u>

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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
JROTC	\$ 57,000	\$ 57,000	\$ 56,241	\$ (759)
E-rate	172,000	172,000	205,005	33,005
Medicaid reimbursements	200,000	200,000	340,181	140,181
CCEC reimbursements	50,000	50,000	67,818	17,818
Sale of supplies	5,000	5,000	70	(4,930)
Insurance recoveries	-	-	4,133	4,133
Other recovered costs	25,000	25,000	20,616	(4,384)
Total recovered costs	<u>\$ 509,000</u>	<u>\$ 509,000</u>	<u>\$ 694,064</u>	<u>\$ 185,064</u>
Total revenue from local sources	<u>\$ 1,565,926</u>	<u>\$ 1,748,306</u>	<u>\$ 2,093,305</u>	<u>\$ 344,999</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Wythe, Virginia	\$ 12,942,566	\$ 12,994,842	\$ 12,765,086	\$ (229,756)
Total revenues from local governments	<u>\$ 12,942,566</u>	<u>\$ 12,994,842</u>	<u>\$ 12,765,086</u>	<u>\$ (229,756)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Adult secondary education	\$ 15,717	\$ 15,717	\$ 19,207	\$ 3,490
Alternative education	118,990	118,990	118,990	-
At risk four-year olds	319,035	319,035	319,036	1
At risk payments	428,483	428,483	424,931	(3,552)
Basic school aid	12,276,611	12,276,611	12,163,458	(113,153)
Composite hold harmless	-	-	1,960	1,960
Early reading intervention	54,037	54,037	51,875	(2,162)
English as second language	5,079	5,079	7,195	2,116
Gifted and talented	131,844	131,844	130,767	(1,077)
Governor's school	26,572	26,572	26,572	-
Group life insurance instructional	47,688	47,688	47,299	(389)
Homebound education	57,208	57,208	95,378	38,170
Other state funds	30,682	77,398	93,257	15,859
Mentor teacher program	4,066	4,066	3,151	(915)
Primary class size	564,420	564,420	529,875	(34,545)
Project graduation	340,000	340,000	410,030	70,030
Reading recovery	23,400	23,400	23,337	(63)
Regional program tuition	106,952	106,952	128,605	21,653
Regular foster care	70,416	70,416	49,079	(21,337)
Remedial education	485,299	485,299	481,333	(3,966)
Compensation supplement	205,279	205,279	203,630	(1,649)
Remedial summer education	22,390	22,390	24,365	1,975
Retirement	1,469,922	1,469,922	1,457,909	(12,013)
School food	35,099	35,099	27,883	(7,216)
Share of state sales tax	4,434,392	4,434,392	4,440,535	6,143
Social security fringe benefits	743,377	743,377	737,302	(6,075)
Industry certification	-	-	7,139	7,139
Special education	872,416	872,416	865,286	(7,130)
Special education - foster children	-	-	32,881	32,881
Algebra readiness	59,880	59,880	57,501	(2,379)
National board certification	10,000	10,000	17,500	7,500
Technology resource	445,200	445,200	445,400	200
Textbook payment	269,916	269,916	267,710	(2,206)
Vocational education - adult	2,819	2,819	3,308	489
Vocational occupational preparedness	40,073	40,073	43,814	3,741
Vocational standards of quality payments	502,130	502,130	498,026	(4,104)
Total categorical aid	<u>\$ 24,219,392</u>	<u>\$ 24,266,108</u>	<u>\$ 24,255,524</u>	<u>\$ (10,584)</u>
Total revenue from the Commonwealth	<u>\$ 24,219,392</u>	<u>\$ 24,266,108</u>	<u>\$ 24,255,524</u>	<u>\$ (10,584)</u>

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

<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>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Forest reserve funds	\$ 8,992	\$ 8,992	\$ 69,136	\$ 60,144
Title I	1,031,550	1,031,550	945,470	(86,080)
Title VI-B, special education flow-through	967,410	967,410	858,466	(108,944)
Title VI-B, preschool	-	-	28,492	28,492
Vocational education	77,244	77,244	61,967	(15,277)
National school food program	950,000	950,000	989,686	39,686
School breakfast program	300,000	300,000	248,881	(51,119)
Improving teacher quality	227,928	227,928	151,497	(76,431)
Rural and low income schools	-	-	56,309	56,309
Summer food	43,000	43,000	34,562	(8,438)
Total categorical aid	<u>\$ 3,606,124</u>	<u>\$ 3,606,124</u>	<u>\$ 3,444,466</u>	<u>\$ (161,658)</u>
Total revenue from the federal government	<u>\$ 3,606,124</u>	<u>\$ 3,606,124</u>	<u>\$ 3,444,466</u>	<u>\$ (161,658)</u>
Total School Operating Fund	<u>\$ 42,334,008</u>	<u>\$ 42,615,380</u>	<u>\$ 42,558,381</u>	<u>\$ (56,999)</u>

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 308,716	\$ 379,690	\$ 216,871	\$ 162,819
Total legislative	<u>\$ 308,716</u>	<u>\$ 379,690</u>	<u>\$ 216,871</u>	<u>\$ 162,819</u>
General and financial administration:				
County administrator	\$ 681,001	\$ 723,146	\$ 477,294	\$ 245,852
Reserve funds - insurance	12,500	54,418	504	53,914
Commissioner of revenue	274,089	274,089	269,890	4,199
Treasurer	350,822	356,649	358,062	(1,413)
Financial administration	248,486	248,486	227,589	20,897
Assessors	240,000	240,000	112,555	127,445
Mapping	32,000	32,000	25,495	6,505
Public information office	49,615	49,615	48,393	1,222
Technology	90,497	90,497	89,432	1,065
Total general and financial administration	<u>\$ 1,979,010</u>	<u>\$ 2,068,900</u>	<u>\$ 1,609,214</u>	<u>\$ 459,686</u>
Board of elections:				
Electoral board and officials	\$ 78,434	\$ 81,934	\$ 55,824	\$ 26,110
Registrar	85,395	85,395	84,421	974
Total board of elections	<u>\$ 163,829</u>	<u>\$ 167,329</u>	<u>\$ 140,245</u>	<u>\$ 27,084</u>
Total general government administration	<u>\$ 2,451,555</u>	<u>\$ 2,615,919</u>	<u>\$ 1,966,330</u>	<u>\$ 649,589</u>
Judicial administration:				
Courts:				
Circuit court	\$ 56,634	\$ 56,634	\$ 48,727	\$ 7,907
General district court	10,210	11,204	10,292	912
Juvenile and domestic relations court	9,130	9,130	7,755	1,375
Magistrates	1,630	1,630	1,075	555
Clerk of the circuit court	486,880	486,880	448,994	37,886
Commissioner of accounts	5,000	5,000	2,500	2,500
Courtroom security	355,584	355,584	336,157	19,427
Law library	10,800	10,800	9,597	1,203
Total courts	<u>\$ 935,868</u>	<u>\$ 936,862</u>	<u>\$ 865,097</u>	<u>\$ 71,765</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 658,930	\$ 664,105	\$ 658,329	\$ 5,776
Total commonwealth's attorney	<u>\$ 658,930</u>	<u>\$ 664,105</u>	<u>\$ 658,329</u>	<u>\$ 5,776</u>
Total judicial administration	<u>\$ 1,594,798</u>	<u>\$ 1,600,967</u>	<u>\$ 1,523,426</u>	<u>\$ 77,541</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,816,692	\$ 3,965,139	\$ 3,444,345	\$ 520,794
Total law enforcement and traffic control	<u>\$ 3,816,692</u>	<u>\$ 3,965,139</u>	<u>\$ 3,444,345</u>	<u>\$ 520,794</u>
Fire and rescue services:				
Fire department	\$ 357,836	\$ 416,115	\$ 298,596	\$ 117,519
Consolidated dispatch	524,010	535,010	297,243	237,767
Ambulance and rescue services	125,400	148,106	90,468	57,638
Total fire and rescue services	<u>\$ 1,007,246</u>	<u>\$ 1,099,231</u>	<u>\$ 686,307</u>	<u>\$ 412,924</u>

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Jail	\$ 1,500,000	\$ 1,500,000	\$ 1,352,627	\$ 147,373
Probation office	3,250	3,250	3,331	(81)
Total correction and detention	<u>\$ 1,503,250</u>	<u>\$ 1,503,250</u>	<u>\$ 1,355,958</u>	<u>\$ 147,292</u>
Inspections:				
Building	\$ 93,646	\$ 93,646	\$ 87,288	\$ 6,358
Total inspections	<u>\$ 93,646</u>	<u>\$ 93,646</u>	<u>\$ 87,288</u>	<u>\$ 6,358</u>
Other protection:				
Animal control	\$ 136,461	\$ 146,461	\$ 118,687	\$ 27,774
Medical examiner	500	540	480	60
Wireless E-911 grant	31,719	31,719	31,945	(226)
Emergency services	73,684	395,767	348,628	47,139
Victim witness program	46,008	53,280	52,249	1,031
Total other protection	<u>\$ 288,372</u>	<u>\$ 627,767</u>	<u>\$ 551,989</u>	<u>\$ 75,778</u>
Total public safety	<u>\$ 6,709,206</u>	<u>\$ 7,289,033</u>	<u>\$ 6,125,887</u>	<u>\$ 1,163,146</u>
Public works:				
Engineering:				
Engineering	\$ 121,629	\$ 121,629	\$ 119,804	\$ 1,825
Total engineering	<u>\$ 121,629</u>	<u>\$ 121,629</u>	<u>\$ 119,804</u>	<u>\$ 1,825</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,450,354	\$ 1,470,354	\$ 1,385,784	\$ 84,570
Total sanitation and waste removal	<u>\$ 1,450,354</u>	<u>\$ 1,470,354</u>	<u>\$ 1,385,784</u>	<u>\$ 84,570</u>
Maintenance of general buildings and grounds:				
Courthouse building	\$ 234,714	\$ 326,708	\$ 256,188	\$ 70,520
County administrative building	140,946	147,346	107,706	39,640
Sixth Street building	2,352	2,352	1,581	771
Building and grounds maintenance	53,675	57,068	29,255	27,813
Library building	3,446	3,446	2,276	1,170
Spiller annex building	676	676	-	676
Fairview house building	8,158	8,158	2,835	5,323
Other properties	787	787	231	556
Total maintenance of general buildings and grounds	<u>\$ 444,754</u>	<u>\$ 546,541</u>	<u>\$ 400,072</u>	<u>\$ 146,469</u>
Total public works	<u>\$ 2,016,737</u>	<u>\$ 2,138,524</u>	<u>\$ 1,905,660</u>	<u>\$ 232,864</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 341,000	\$ 341,000	\$ 341,000	\$ -
Total health	<u>\$ 341,000</u>	<u>\$ 341,000</u>	<u>\$ 341,000</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	\$ 137,000	\$ 137,000	\$ 137,000	\$ -
Total mental health and mental retardation	<u>\$ 137,000</u>	<u>\$ 137,000</u>	<u>\$ 137,000</u>	<u>\$ -</u>
Welfare:				
Public assistance	\$ 6,818,081	\$ 6,818,081	\$ 6,372,412	\$ 445,669
Tax relief for the elderly	-	-	114,594	(114,594)
Family resource center	3,750	3,750	-	3,750
District III coop	26,514	26,514	26,514	-
Total welfare	<u>\$ 6,848,345</u>	<u>\$ 6,848,345</u>	<u>\$ 6,513,520</u>	<u>\$ 334,825</u>
Total health and welfare	<u>\$ 7,326,345</u>	<u>\$ 7,326,345</u>	<u>\$ 6,991,520</u>	<u>\$ 334,825</u>

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

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Education:				
Other instructional costs:				
Contributions to Community College	\$ 39,469	\$ 39,469	\$ 39,469	\$ -
Contribution to County School Board	12,942,566	12,994,842	12,765,086	229,756
Total education	<u>\$ 12,982,035</u>	<u>\$ 13,034,311</u>	<u>\$ 12,804,555</u>	<u>\$ 229,756</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation Commission	\$ 154,794	\$ 158,749	\$ 128,336	\$ 30,413
Rural Retreat Lake campground	81,216	81,216	60,617	20,599
Rural Retreat Lake swimming pool	38,291	38,291	23,167	15,124
Ager Park	17,434	21,434	13,813	7,621
Sheffey Recreation Center	29,612	32,198	14,278	17,920
Total parks and recreation	<u>\$ 321,347</u>	<u>\$ 331,888</u>	<u>\$ 240,211</u>	<u>\$ 91,677</u>
Library:				
Contribution to regional library	\$ 295,000	\$ 295,000	\$ 295,000	\$ -
Total library	<u>\$ 295,000</u>	<u>\$ 295,000</u>	<u>\$ 295,000</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 616,347</u>	<u>\$ 626,888</u>	<u>\$ 535,211</u>	<u>\$ 91,677</u>
Community development:				
Planning and community development:				
Planning commission	\$ 83,799	\$ 89,549	\$ 80,152	\$ 9,397
Payments to Crossroads IFA	-	25,808	-	25,808
Regional water	276,254	276,254	-	276,254
Wythe county joint IDA	218,655	716,480	716,480	-
Regional tourism	85,000	85,000	66,765	18,235
Smyth/Wythe airport commission	62,000	62,000	62,000	-
New River/Highlands RC&D	1,000	1,000	-	1,000
Total planning and community development	<u>\$ 726,708</u>	<u>\$ 1,256,091</u>	<u>\$ 925,397</u>	<u>\$ 330,694</u>
Environmental management:				
Contribution to soil and water district	\$ 6,000	\$ 6,000	\$ 6,000	\$ -
Total environmental management	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ -</u>
Cooperative extension program:				
Extension office	\$ 58,353	\$ 58,353	\$ 56,727	\$ 1,626
Total cooperative extension program	<u>\$ 58,353</u>	<u>\$ 58,353</u>	<u>\$ 56,727</u>	<u>\$ 1,626</u>
Total community development	<u>\$ 791,061</u>	<u>\$ 1,320,444</u>	<u>\$ 988,124</u>	<u>\$ 332,320</u>
Capital projects: (1)				
Progress park improvements and land purchase	\$ 2,043,400	\$ 2,072,800	\$ 1,320,129	\$ 752,671
Road construction	-	699,793	86,000	613,793
Other capital projects	2,022,600	2,362,918	686,391	1,676,527
Total capital projects	<u>\$ 4,066,000</u>	<u>\$ 5,135,511</u>	<u>\$ 2,092,520</u>	<u>\$ 3,042,991</u>

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

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Debt service:				
Principal retirement	\$ 2,768,874	\$ 2,703,874	\$ 2,585,621	\$ 118,253
Interest and other fiscal charges	1,169,419	1,299,929	1,295,202	4,727
Total debt service	<u>\$ 3,938,293</u>	<u>\$ 4,003,803</u>	<u>\$ 3,880,823</u>	<u>\$ 122,980</u>
 Total General Fund	 <u>\$ 42,492,377</u>	 <u>\$ 45,091,745</u>	 <u>\$ 38,814,056</u>	 <u>\$ 6,277,689</u>
 Total Primary Government	 <u>\$ 42,492,377</u>	 <u>\$ 45,091,745</u>	 <u>\$ 38,814,056</u>	 <u>\$ 6,277,689</u>
 (1) Budgeted within departmental budgets				
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 1,115,417	\$ 1,115,417	\$ 1,122,654	\$ (7,237)
Total administration of schools	<u>\$ 1,115,417</u>	<u>\$ 1,115,417</u>	<u>\$ 1,122,654</u>	<u>\$ (7,237)</u>
 Instruction costs:				
Instruction	\$ 31,317,762	\$ 31,432,006	\$ 30,607,851	\$ 824,155
Technology instruction	1,401,199	1,448,994	1,765,048	(316,054)
Total instruction costs	<u>\$ 32,718,961</u>	<u>\$ 32,881,000</u>	<u>\$ 32,372,899</u>	<u>\$ 508,101</u>
 Operating costs:				
Pupil transportation	\$ 2,496,459	\$ 2,496,459	\$ 2,491,853	\$ 4,606
Operation and maintenance of school plant	3,965,072	3,965,072	4,193,169	(228,097)
Total operating costs	<u>\$ 6,461,531</u>	<u>\$ 6,461,531</u>	<u>\$ 6,685,022</u>	<u>\$ (223,491)</u>
 School food services:				
Administration of school food program	\$ 2,038,099	\$ 2,038,099	\$ 1,833,176	\$ 204,923
Total school food services	<u>\$ 2,038,099</u>	<u>\$ 2,038,099</u>	<u>\$ 1,833,176</u>	<u>\$ 204,923</u>
 Total education	 <u>\$ 42,334,008</u>	 <u>\$ 42,496,047</u>	 <u>\$ 42,013,751</u>	 <u>\$ 482,296</u>
 Capital projects:				
School capital projects	\$ -	\$ 119,333	\$ 147,273	\$ (27,940)
Total capital projects	<u>\$ -</u>	<u>\$ 119,333</u>	<u>\$ 147,273</u>	<u>\$ (27,940)</u>
 Total School Operating Fund	 <u>\$ 42,334,008</u>	 <u>\$ 42,615,380</u>	 <u>\$ 42,161,024</u>	 <u>\$ 454,356</u>

Statistical Information

Table 1

County of Wythe, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Water/Sewer Department	Total
2015-16	\$ 1,962,812	\$ 1,415,646	\$ 6,054,094	\$ 2,227,414	\$ 6,796,270	\$ 14,417,669	\$ 546,211	\$ 1,407,644	\$ 1,217,966	\$ 3,318,125	\$ 39,363,851
2014-15	1,352,398	1,092,798	6,237,978	2,306,367	6,604,731	14,166,892	553,381	879,896	1,164,014	3,650,586	38,009,041
2013-14	1,557,004	1,136,607	6,416,496	1,960,842	6,223,639	12,134,257	533,197	533,516	1,256,115	3,403,181	35,154,854
2012-13	1,187,678	1,119,156	6,372,381	2,419,128	6,468,123	14,422,799	610,551	787,448	1,284,699	3,519,922	38,191,885
2011-12	1,512,480	1,086,359	6,180,621	2,289,730	7,058,798	12,836,648	626,033	492,238	1,425,958	3,295,194	36,804,059
2010-11	1,114,168	1,113,061	6,044,161	2,260,019	6,792,651	13,486,880	501,448	340,134	1,491,857	3,039,478	36,183,856
2009-10	1,430,893	1,121,160	5,730,414	2,256,629	6,611,511	9,430,330	525,341	1,005,579	1,402,162	2,570,803	32,084,822
2008-09	1,638,876	1,037,073	5,364,813	2,457,234	6,391,877	10,236,820	585,718	538,549	1,308,787	2,595,395	32,155,142
2007-08	1,102,068	1,130,051	5,241,651	2,212,679	5,936,838	11,084,184	583,244	1,139,697	1,398,504	2,326,133	32,155,049
2006-07	1,173,193	992,656	4,980,926	4,663,802	5,908,253	11,026,573	583,031	3,016,335	1,391,274	1,979,890	35,715,933

Table 2

County of Wythe, Virginia
Government-Wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
2015-16	\$ 4,957,694	\$ 7,877,176	\$ 824,304	\$ 18,844,528	\$ 5,796,378	\$ 1,104,094	\$ 326,712	\$ 2,475,547	\$ 42,206,433	
2014-15	4,879,094	7,434,357	1,611,079	17,470,264	5,869,453	1,054,365	525,963	2,502,844	41,347,419	
2013-14	4,568,488	7,498,457	1,909,241	17,303,112	5,448,614	1,393,622	642,961	2,525,329	41,289,824	
2012-13	4,743,836	7,955,016	2,282,618	16,817,889	5,483,817	1,342,421	437,423	2,568,029	41,631,049	
2011-12	4,244,008	7,596,199	1,289,131	16,761,296	6,101,266	1,439,970	569,158	1,721,897	39,722,925	
2010-11	4,740,137	8,417,319	4,017,436	16,413,526	5,875,452	1,165,451	211,242	1,715,976	42,556,539	
2009-10	4,238,317	7,546,764	1,470,916	16,239,400	5,784,144	1,001,236	368,416	1,747,887	38,397,080	
2008-09	4,670,134	7,341,206	18,525	16,095,756	5,992,791	1,423,635	-	1,805,916	37,347,963	
2007-08	5,422,562	8,501,323	56,287	15,190,799	6,455,989	1,542,199	477,152	1,759,298	39,405,609	
2006-07	4,336,231	9,338,190	214,941	12,958,011	6,432,895	2,100,588	82,238	1,875,583	37,338,677	

Table 3

County of Wythe, Virginia
General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation & Cultural	Community Development	Non-Departmental	Debt Service	Capital Projects	Totals
2015-16	\$ 1,966,330	\$ 1,523,426	\$ 6,125,887	\$ 1,905,660	\$ 6,991,520	\$ 42,053,220	\$ 535,211	\$ 988,124	\$ -	\$ 3,880,823	\$ 2,239,793	\$ 68,209,994
2014-15	1,805,152	1,176,799	6,201,763	1,985,530	6,813,281	41,971,276	539,507	539,507	-	3,640,919	1,866,662	66,540,396
2013-14	1,678,577	1,136,912	6,326,660	1,978,276	6,252,476	40,863,572	517,575	377,251	-	2,968,668	8,046,916	70,146,883
2012-13	1,681,639	1,118,560	6,711,245	2,127,453	6,542,255	40,333,239	628,288	588,539	-	6,582,063	5,731,661	72,044,942
2011-12	1,636,064	1,085,673	6,077,487	2,050,075	7,210,950	40,136,400	634,687	3,144,429	-	13,408,608	3,094,561	78,478,934
2010-11	1,703,178	1,113,471	7,821,789	1,998,963	6,905,096	37,673,890	490,075	321,127	-	3,540,547	7,407,413	68,975,549
2009-10	1,504,404	1,120,632	5,683,068	2,055,263	6,714,792	41,660,550	541,329	809,283	162,427	3,307,881	1,565,615	65,125,244
2008-09	1,539,578	1,035,285	5,276,627	2,307,558	6,538,139	40,489,013	580,323	972,300	-	3,284,554	5,615,252	67,638,629
2007-08	1,417,942	1,128,376	5,307,665	2,025,909	6,073,447	39,972,881	575,398	973,616	-	6,898,299	277,555	64,651,088
2006-07	1,512,851	991,921	5,094,918	4,616,524	5,903,223	38,670,937	582,594	2,246,726	82	7,278,191	1,447,785	68,345,752

(1) Includes General and Capital Projects Funds of the Primary Government and Discretely Presented Component Unit School Board.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit School Board.

Table 4

County of Wythe, Virginia
General Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits Privilege Fees and Regulatory Licenses	Fines and Forfeitures	Revenue from use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter- governmental (2)	Total
2015-16	\$ 18,524,308	\$ 5,796,378	\$ 77,292	\$ 1,399,738	\$ 1,017,302	\$ 1,624,708	\$ 556,491	\$ 1,259,319	\$ 38,488,738	\$ 68,744,274
2014-15	17,556,567	5,869,453	68,301	1,612,103	976,595	1,260,761	703,672	1,168,853	39,056,478	68,272,783
2013-14	17,172,749	5,448,614	101,343	1,403,682	1,256,176	1,424,470	695,482	1,578,479	37,008,850	66,089,845
2012-13	17,063,127	5,483,817	76,747	1,486,658	1,192,266	1,387,282	495,944	1,183,146	37,331,804	65,700,791
2011-12	16,486,825	6,101,266	115,217	1,379,334	1,264,808	1,427,734	620,535	1,019,784	35,874,279	64,289,782
2010-11	16,464,384	5,875,452	81,452	1,347,286	1,032,789	1,368,655	270,860	1,592,502	40,077,460	68,110,840
2009-10	16,207,800	5,784,144	96,092	1,299,841	907,156	1,429,685	410,546	898,874	40,008,871	67,043,009
2008-09	15,725,637	5,992,791	87,501	1,203,414	1,334,434	1,418,220	2,675	1,152,933	40,335,213	67,252,818
2007-08	15,330,577	6,455,989	112,693	1,483,167	1,470,255	1,453,423	479,077	1,062,904	39,295,486	67,143,571
2006-07	13,318,383	6,432,895	185,507	1,329,058	1,451,377	1,389,051	348,783	1,163,702	39,356,996	64,975,752

(1) Includes General and Capital Projects Funds of the Primary Government and includes discretely presented Component Unit School Board.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit School Board.

Table 5

County of Wythe, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (2)	Percent of Delinquent Taxes to Tax Levy
2015-16	\$ 18,627,762	\$ 17,781,494	95.46%	\$ 465,647	\$ 18,247,141	97.96%	\$ 1,547,751	8.31%
2014-15	17,290,714	16,637,385	96.22%	612,697	17,250,082	99.77%	1,398,648	8.09%
2013-14	17,066,280	16,429,324	96.27%	479,991	16,909,315	99.08%	1,434,679	8.41%
2012-13	16,630,536	16,264,884	97.80%	514,040	16,778,924	100.89%	1,324,184	7.96%
2011-12	16,469,488	15,896,576	96.52%	380,655	16,277,231	98.83%	1,499,609	9.11%
2010-11	16,445,210	15,900,211	96.69%	312,712	16,212,923	98.59%	1,373,871	8.35%
2009-10	16,032,364	15,492,730	96.63%	513,352	16,006,082	99.84%	1,460,821	9.11%
2008-09	15,632,362	15,152,408	96.93%	363,918	15,516,326	99.26%	1,465,066	9.37%
2007-08	15,389,398	14,878,139	96.68%	269,190	15,147,329	98.43%	1,336,406	8.68%
2006-07	15,261,404	14,444,360	94.65%	298,517	14,742,877	96.60%	1,297,569	8.50%

(1) Exclusive of penalties and interest. Reduced by tax sharing payments.

(2) Delinquent balances include penalties.

Table 6

County of Wythe, Virginia
Assessed Value of Taxable Property (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Public Service Companies	Total
2015-16	\$ 2,274,033,452	\$ 475,988,249	\$ 229,662,169	\$ 2,979,683,870
2014-15	2,269,613,917	482,753,439	205,805,120	2,958,172,476
2013-14	2,269,183,693	480,753,909	198,369,106	2,948,306,708
2012-13	2,259,165,524	478,834,582	187,095,907	2,925,096,013
2011-12	2,260,390,881	471,509,420	159,110,024	2,891,010,325
2010-11	2,249,458,695	471,521,559	156,715,339	2,877,695,593
2009-10	2,210,517,580	500,123,110	162,428,985	2,873,069,675
2008-09	2,181,140,120	503,080,112	143,965,550	2,828,185,782
2007-08	2,137,176,630	440,104,314	179,339,116	2,756,620,060
2006-07	1,478,984,752	422,437,107	120,231,024	2,021,652,883

(1) Assessed at 100% of fair market value.

Table 7

County of Wythe, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital
2015-16	\$ 0.49	\$ 2.27	\$ 1.50	\$ 0.56
2014-15	0.44	2.27	1.50	0.56
2013-14	0.44	2.27	1.50	0.56
2012-13	0.44	2.08	1.50	0.56
2011-12	0.44	2.08	1.50	0.56
2010-11	0.44	2.08	1.50	0.56
2009-10	0.43	2.08	1.50	0.56
2008-09	0.43	2.08	1.50	0.56
2007-08	0.43	2.08	1.50	0.56
2006-07	0.54	2.08	1.50	0.56

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Gross Assessed Value	Gross and Net Bonded Debt (2)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2015-16	29,235	\$ 2,979,683,870	\$ 61,034,667	2.05%	\$ 2,088
2014-15	29,235	2,958,172,476	61,787,459	2.09%	2,113
2013-14	29,235	2,948,306,708	61,811,256	2.10%	2,114
2012-13	29,235	2,925,096,013	55,704,496	1.90%	1,905
2011-12	29,235	2,891,010,325	57,445,157	1.99%	1,965
2010-11	29,235	2,877,695,593	51,005,571	1.77%	1,745
2009-10	29,235	2,873,069,675	45,521,384	1.58%	1,557
2008-09	27,599	2,828,185,782	42,750,112	1.51%	1,549
2007-08	27,599	2,756,620,060	40,072,092	1.45%	1,452
2006-07	27,599	2,021,652,883	40,928,550	2.02%	1,483

(1) United States Bureau of the Census

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

Excludes revenue bonds, landfill closure/postclosure care liability, capital leases, and compensated absences.

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures (2)	Ratio of Debt Service to General Governmental Expenditures
2015-16	\$ 2,585,621	\$ 1,295,202	\$ 3,880,823	\$ 68,209,994	5.690%
2014-15	2,362,227	1,278,692	3,640,919	66,486,269	5.476%
2013-14	1,725,738	1,242,930	2,968,668	70,146,883	4.232%
2012-13 (4)	5,165,301	1,416,762	6,582,063	72,044,942	9.136%
2011-12 (4)	11,944,430	1,464,178	13,408,608	78,478,934	17.086%
2010-11	1,990,809	1,549,738	3,540,547	68,975,549	5.133%
2009-10	1,822,011	1,485,870	3,307,881	65,125,244	5.079%
2008-09	1,889,349	1,395,205	3,284,554	67,638,629	4.856%
2007-08(4)	5,443,269	1,455,030	6,898,299	64,651,088	10.670%
2006-07(3)	1,854,614	1,323,577	3,178,191	68,345,752	4.650%

(1) Includes General fund of the Primary Government and the Discretely Presented Component Unit - School Board.

(2) Includes capital project expenditures.

(3) Excludes temporary loans.

(4) Includes early redemption of the County's bonds.

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 Board of Supervisors of the
County of Wythe, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Wythe, Virginia as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County of Wythe, Virginia's basic financial statements and have issued our report thereon dated November 28, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Wythe, 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 County of Wythe, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Wythe, Virginia's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. [2016-001]

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. [2016-002]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Wythe, 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*.

County of Wythe, Virginia's Response to Findings

County of Wythe, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and costs. County of Wythe, 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 28, 2016

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Members of
the Board of Supervisors of the
County of Wythe, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Wythe, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Wythe, Virginia's major federal programs for the year ended June 30, 2016. The County of Wythe, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County of Wythe, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Turner, Co. Associates

Blacksburg, Virginia
November 28, 2016

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	
DEPARTMENT OF AGRICULTURE:				
Direct Payments:				
Water and Waste Disposal Systems for Rural Communities	10.760	Not applicable	\$	2,714,367
Pass Through Payments:				
<i>Child Nutrition Cluster:</i>				
<i>State Department of Agriculture:</i>				
Summer Food Service Program for Children	10.559	Not available	\$	34,562
Food Distribution (Note C)	10.555	Not available	\$120,915	
<i>Department of Education:</i>				
National School Lunch Program	10.555	40623	868,771	989,686
School Breakfast Program	10.553	40591		248,881
<i>Total Child Nutrition Cluster</i>				1,273,129
<i>Department of Social Services:</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110/0040110/0040111		385,078
<i>Department of Education:</i>				
Schools and Roads - Grants to States	10.665	43841		69,136
Total Department of Agriculture			\$	4,441,710
DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Pass Through Payments:				
<i>Department of Social Services:</i>				
Promoting Safe and Stable Families	93.556	0950110/0950111	\$	11,532
Temporary Assistance for Needy Families	93.558	0400111		316,513
Refugee and Entrant Assistance - State Administered Programs	93.566	0500110/0500111		340
Low-income Home Energy Assistance	93.568	0600410/0600411		36,177
Chafee Education and Training Vouchers Program	93.599	9160110		8,933
Stephanie Tubbs Jones - Child Welfare Services Program	93.645	0900110/0900111		1,684
Social Services Block Grant	93.667	1000110/1000111		270,821
Chafee Foster Care Independence Program	93.674	9150110/9150111		12,948
Children's Health Insurance Program	93.767	0540110/0540111		15,142
Medical Assistance Program	93.778	1200110/1200111		475,573
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760110/0760111		51,750
Foster Care - Title IV-E	93.658	1100110/1100111		295,292
Adoption Assistance	93.659	1120110/1120111		368,406
Total Department of Health and Human Services			\$	1,865,111
DEPARTMENT OF HOMELAND SECURITY:				
Pass Through Payments:				
<i>Office of the Virginia Attorney General:</i>				
Emergency Management Performance Grants	97.042	LEMPGFY14 201604018945	\$	13,017
DEPARTMENT OF TRANSPORTATION:				
Pass Through Payments:				
<i>Highway Safety Cluster:</i>				
<i>Department of Motor Vehicles:</i>				
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	59131	\$	14,949
State and Community Highway Safety	20.600	50326		35,111
National Priority Safety Programs	20.616	53186		2,858
<i>Total Highway Safety Cluster</i>			\$	52,918
Total Department of Transportation			\$	52,918
DEPARTMENT OF JUSTICE:				
Direct Payments:				
Equitable Sharing Program	16.922	Not applicable	\$	33,009
Pass Through Payments:				
<i>Department of Criminal Justice Services:</i>				
Violence Against Women - Formula Grants	16.588	46500		24,919
Crime Victim Assistance	16.575	15-R9570VW14 - VICT		676
Total Department of Justice			\$	58,604

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016 (Continued)

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<i>DEPARTMENT OF EDUCATION:</i>			
Pass Through Payments:			
<i>Department of Education:</i>			
Career and Technical Education-Basic Grants to States	84.048	61095	\$ 61,967
Supporting Effective Instruction State Grant	84.367	61480	151,497
Rural Education	84.358	43481	56,309
Title I Grants to Local Educational Agencies	84.010	42901	945,470
<i>Special Education Cluster (IDEA):</i>			
Special Education-Grants to States	84.027	73071	\$858,466
Special Education-Preschool Grants	84.173	62521	<u>28,492</u>
<i>Total Special Education Cluster (IDEA)</i>			886,958
Total Department of Education			<u>\$ 2,102,201</u>
Total Expenditure of Federal Awards			<u>\$ 8,533,561</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF WYTHE, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Note A -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Wythe, Virginia under programs of the federal government for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budgets Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the County of Wythe, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Wythe, Virginia.

Note B -- Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note C -- Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note D -- Relationship to the Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund (excludes payment in lieu of tax)	\$ 2,374,728
Water and Sewer Fund Loans/Grants	2,714,367
Component Unit School Board:	
School Operating Fund	<u>3,444,466</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 8,533,561</u>
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County of Wythe, Virginia

Schedule of Findings and Questioned Costs
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?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section, 200.516 (a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities
84.027/84.173	Special Education Cluster
84.010	Title I Grants to Local Educational Agencies

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

County of Wythe, Virginia

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

Section II - Financial Statement Findings

2016-001	Material Weakness
Criteria:	Per Statement on Auditing Standards 115, identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.
Condition:	The County's financial statements required material adjusting entries by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles.
Cause of Condition:	The County failed to identify all year end accounting adjustments necessary for the books to be prepared in accordance with current reporting standards.
Effect of Condition:	There is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	The County's closing process improved significantly over prior years as current staff continues to gain an understanding of the year-end closing process and related reconciliations and adjustments that are necessary. Staff should review the current year adjusting entries and consider same during the next fiscal year close.
Management's Response:	The County has reduced its reliance on external consultants and current staff have a good understanding of the County's books and accounting processes. It is anticipated that the number of audit adjustments will continue to decrease in future periods.
2016-002	Significant Deficiency
Criteria:	A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.
Condition:	A proper segregation of duties has not been established over collections in the Treasurer's Office or over the payroll and accounts payable functions at the School Board.
Cause of Condition:	Limited staffing and resources
Effect of Condition:	There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	The Locality should review tasks performed by accounting personnel and revise same as necessary to create a proper segregation of duties.
Management's Response:	Management will review controls in relation to current staffing levels and consider implementing compensating controls to address audit concerns.

County of Wythe, Virginia

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

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Status of Prior Audit Findings

There were no federal findings reported in the prior fiscal year.