

## AUDIT REPORT

JUNE 30, 2016



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JUNE 30, 2016**

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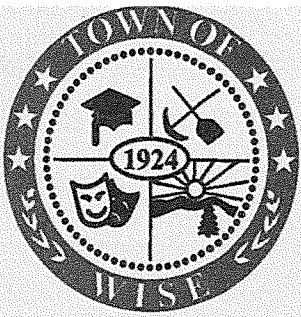
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**INTRODUCTORY SECTION**





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### **PROFILE OF THE TOWN**

The Town of Wise is located in Southwest Virginia within the territorial boundaries of Wise County, approximately 50 miles northwest of Bristol, Virginia.

The Town lies 2,450 feet above sea level and is the highest point of population in Wise County. Indian Mountain rises to the north and Guest Mountain immediately to the south of town. The mountains provide a quiet escape and the opportunity to enjoy amazing scenery and outdoor adventures.

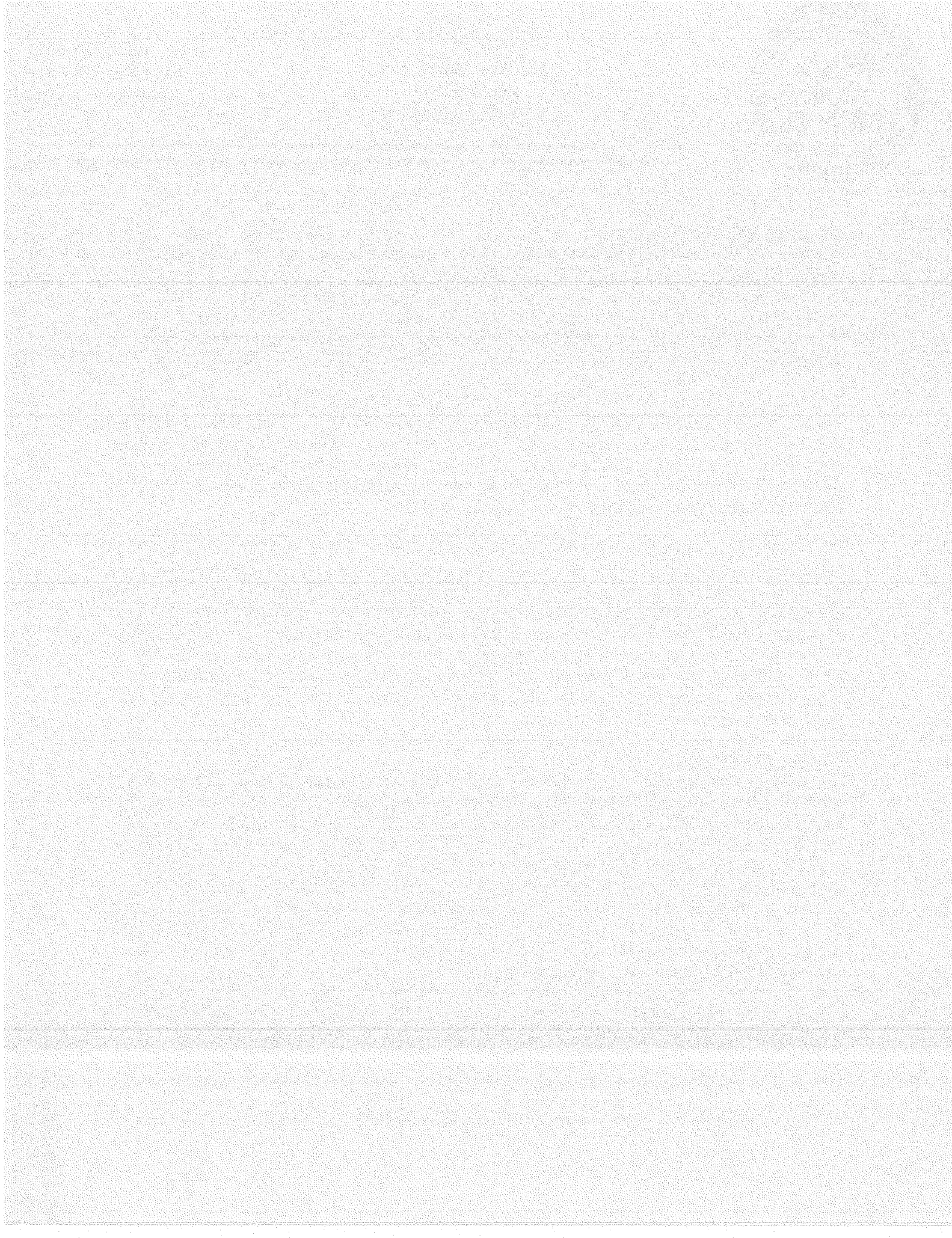
First incorporated as the Town of Gladeville in 1874, the locality was officially chartered as the Town of Wise in 1924. Today, the Town serves as a center of government, commerce, and education for Wise County. The Town provides a full range of services including police and fire protection, water and sewer services, refuse collection and disposal, construction and maintenance of streets, sidewalks and other transportation infrastructure, parks and recreation facilities, cultural events, cemeteries, planning and zoning, and general administration.

The Town currently operates under the council-manager form of government. The Town Council is the governing body of the Town and consists of five members elected for staggered four-year terms. Council is charged with the responsibility of establishing policies for the administration of the Town and enacting ordinances and resolutions. The Council appoints a Town Manager to act as the chief executive officer of the Town. He/she serves at the will and pleasure of Council, carries out their policies, and has the power of hiring and removal of all non-appointed employees. Duties and responsibilities of the Town Manager include preparation, submission, and administration of the annual budget, advising Council on the affairs of the Town, enforcement of local ordinances, and direction and supervision of all departments.

### **LOCAL ECONOMY**

The Town of Wise is proud to be the home of the University of Virginia's College at Wise. This public, four-year residential college attracts students from throughout the Southeast as well as from foreign countries. *U.S. News and World Report* has named this college as one of the top ten public liberal arts colleges in the nation. The University of Virginia's College at Wise was founded in 1954 and is the only branch campus of the University of Virginia. The College offers Virginia's only undergraduate degree program in software engineering as well as 30 majors, 32 minors, seven pre-professional programs and 24 teaching licensures. In addition to a wide range of bachelor's degree programs like the hugely successful Bachelor of Science in Nursing, UVa-Wise also offers a number of highly-regarded pre-professional programs in the fields of dentistry, engineering, forestry, law, medicine, physical therapy, and veterinary medicine.

UVa-Wise has been selected for inclusion in "*Colleges of Distinction*," which recognizes institutions for engaged students, great teaching, vibrant communities and successful outcomes.





The College's Economic Development Office provides resources and broad contacts for local business recruiting efforts and its business launch program connects businesses with faculty, students and other regional, state, federal resources. The College is also in the process of developing a cyber-technology business accelerator in partnership with the Herndon-based MACH37 Cyber Accelerator at the Center for Innovative Technology and the College has programs in place to build an entrepreneurial culture in Southwest Virginia. UVA-Wise played an important role in recent successful recruitment efforts at the Lonesome Pine Technology Park, including a customer-support center for TurboTax and Quickbooks and a data center providing business continuity and disaster recovery services for major corporate and governmental clients. We plan to build on existing technology infrastructure and a technically competent labor force to grow our economy moving forward.

Also important as emerging focuses are green companies. Meetings are underway with multiple firms focused on renewable energy products including Israel's Energix. Another economic sector of special focus is unmanned aerial systems (UAS). Important partnerships have been formed with Aurora Flight Sciences, Fly Wisely Accelerator Corp, and Drone Airspace Management. Wise is well positioned to become a hotbed for testing and introduction of unmanned aerial systems in the national airspace system.

Three miles northeast of the Town, Lonesome Pine Airport serves the public with one mile of lighted runway. Adjacent to the airport, Lonesome Pine Regional Business & Technology Park consists of approximately 195 acres of land and buildings. The Business and Technology Park has been developed with all the amenities necessary to accommodate a variety of technology-based enterprises.

Town residents are largely employed in education services associated with UVA-Wise and the Wise County School System. The function of the Town as the county seat also brings significant employment in governmental and professional services. The retail trade industry associated with a number of regional shopping centers as well as chain and independent restaurants account for another important source of employment. Call centers also provide work for a number of residents. For example, Crutchfield Corporation, the nation's leading catalog and internet retailer of audio and video components employs over one hundred highly skilled people to respond to sales, technical support, and service calls. In addition, Sykes Enterprises, Inc., a global in-bound customer technical support center provides support for hardware and software products from various companies and also employs hundreds of area residents. Frontier Secure has opened a customer care center in Wise which will create 500 new jobs in the first phase. Frontier Secure - Wise provides customer care and technical support for TurboTax and Quickbooks software products. The Town has benefitted from the diversity of these sectors for contributions to total employment. The Town has also derived a number of benefits from the 3,000 seat convocation center on the campus of the University of Virginia's College at Wise which hosted over 1,000 events this year. Opening of the refurbished and expanded historic Inn in downtown Wise in November of 2014 has also helped to anchor a renovated downtown Wise. The Inn features 49 lodging rooms, banquet/meeting space, a pub, a café, and a restaurant.

The Town's identity as a college town is reinforced by the close proximity of downtown Wise to the University of Virginia's College at Wise. The central business district is a vibrant gateway to the larger community and the UVA-Wise campus, offering shopping, dining, and entertainment. In the center of downtown, the Big Glades amphitheatre attracts visitors from throughout the region to



participate in special events sponsored by the College, Pro-Art, the Town, and the local business association. Downtown Wise also features structures listed in the National Register of Historic Places. Also notable is the emergence of UVA-Wise as a primary destination for activities other than higher education. The local winery at Mountain Rose Vineyard has captured national attention for its unique adaptive reuse of a reclaimed coal mine site as well as accolades for its award-winning wines. Orchards and a farmers market also figure prominently in the local scene.

### **BUDGETARY CONTROLS**

The annual budget serves as the foundation of the Town's financial planning and control. In addition to internal accounting controls, the Town also maintains budgetary controls to ensure compliance with provisions embodied in the annual appropriated budget approved by Town Council. The governing body adopts an annual budget for the General Fund by July 1 of each year, after advertising and public hearing and as required by §15.2—2503 of the Code of Virginia, as amended. A budget for the proprietary fund is not required under the Code of Virginia, but a budget for this fund is prepared and tracked by the Town. The budget appropriation resolution adopted by Town Council places legal restrictions on expenditures at the departmental level. Budget transfers between departments and requests for supplemental appropriations require action by the governing body. Budget-to-actual comparisons for the General Fund are provided in this report in Schedules 1 and 2.

### **MAJOR INITIATIVES FOR FISCAL YEAR 2016**

Following the goals and objectives established by Town Council, and with the assistance and guidance of the Town Manager's office, municipal staff implemented a number of specific programs designed to provide residents with cost efficient government while enhancing their quality of life. Highlights of major initiatives, begun, continued, or completed this fiscal year include the following:

#### **Government Administration**

On June 23, 2015, the Wise Town Council adopted a General Fund budget for FY 2016 totaling just over \$5 million and representing an increase of 8% from the previous fiscal year. The change is due, in large part, to budgeting for the anticipated receipt of additional revenue generated by tax increases. Efforts to stabilize municipal funds included budgeted rate increases as well as expenditure controls including an election not to proceed with major improvements programmed in the capital improvements plan, delay of some maintenance work, and imposing of a hiring freeze for vacant positions.

Said budget set forth a financial plan for the Town as well as a general work program for the year. Notable in FY 16 was the first real estate tax rate increase in over twenty-five years from \$0.245 to \$0.30 per \$100 assessed value. After a review of rates authorized by statute as well as a comparison of rates imposed by neighboring localities, Town Council also elected to update and increase various excise tax rates in order to keep pace with rising expenses. The Meals Tax rate was increased from 6% to 7% and the Transient Occupancy Tax on hotel/motel/overnight lodging was increased from 5% to 6%.

In FY 2015, the Town received financial assistance to fund improvements at the water treatment plant. The assistance consisted of a loan of up to \$663,050 at a rate of 2% for 30 years and a grant of up to \$450,000 in the form of principal forgiveness. The loan was provided by the Drinking Water State Revolving Loan Fund administered by the Virginia Resources Authority (VRA) and grant funding was provided for this project by the Virginia Department of Health (VDH) Water Supply Assistance Grant Fund. VDH and VRA determined that the Town's water rates were not sufficient to meet program guidelines and required that water rates be increased as a condition for grant and



loan closing. At a minimum, the Town is required to raise water rates by ten percent every other year until a target rate of one percent of median household income is reached. The first required water rate increase took effect in FY 16 and was set at 15%.

The Town supports a number of charitable institutions, volunteer, and nonprofit organizations which serve residents. Most notable, during Fiscal Year 2016, just over \$120,000 was provided to support the operation of the Wise Volunteer Fire Department, \$9,000 for the Lonesome Pine Regional Library, \$3,000 for the Cumberland Airport Commission, \$8,000 for Pro-Art, and \$15,000 for the Wise Rescue Squad. In addition, the Town contributed \$500 to the Wise Senior Citizens group, and provided \$5,000 to assist with Wise Fall Fling festival expenses. The Town also supported the fundraising activities of the Wise County/City of Norton Chamber of Commerce sponsoring a table at the annual gala.

The region's deep roots in mountain traditions and its strong music heritage are gaining popularity. To build on this cultural resource, the Town continued its financial support of the Southwest Virginia Cultural Heritage Foundation with a \$1,000 contribution. The Foundation is a platform to encourage economic development through cultural heritage ventures, tourism initiatives, and other asset-based enterprises throughout the 19 counties of Southwest Virginia. Under this umbrella are the familiar Crooked Road musical heritage trail, "Round the Mountain" artisans' network, agri-tourism trail, and outdoor recreation trails program. It is hoped that this initiative will enhance recognition of the area as a viable tourist destination.

### Awards

In April of 2016, the Town's water treatment plant was selected as the 2016 "Water System of the Year" by the Virginia Rural Water Association. This award recognizes the extraordinary achievement and excellence of the treatment plant staff, the distribution system personnel, and the billing and collections department. Management and the governing body were also recognized for their good stewardship of the utility system.

During FY 16, the Town was also awarded a Water Fluoridation Quality award from the US Centers for Disease Control & Prevention.

For the second year running, in May of 2016, the Wise Water Treatment Plant received a Gold Excellence in Waterworks Operations Award from the Virginia Department of Health. The Town's water plant was evaluated along with 131 water treatment plants earning a performance score of 20 in the judging criteria, with 20 being the highest possible score. This award commends waterworks that exceed requirements of the Health Department and the United States Environmental Protection Agency (EPA). In addition to providing outstanding drinking water, in order to be considered for a Gold Excellence Award, the treatment plant must represent one of the most effectively operated systems in the State. The Town of Wise is very pleased to be recognized for its efforts to provide customers with the highest quality drinking water possible. To achieve this top ranking is a significant accomplishment for the management and staff of the Wise Water Treatment Plant. Constructed in 1964, the Wise Water Treatment Plant serves approximately 2760 water connections and approximately 7,450 people. The water system consists of over 50 miles of water line, a 1.5 million-gallon-per-day surface water treatment plant, 3 pump stations, and 8 water storage tanks.

In addition, in May of 2016, local resident and Wise Clean County Coordinator, Greg Cross was the recipient of the town's "Hometown Hero Award" for his extraordinary efforts to organize and grow the annual Chillin' and Grillin' in the Glades barbecue competition.



### **Financial**

The Treasurer's office remains vigilant in the collection of delinquent taxes and fees. Tools utilized include participation in the Virginia Department of Taxation's Debt Set-Off Program, the Virginia Department of Motor Vehicle Registration Withholding Program, bank and wage liens, skip tracing, and the issuance of warrants-in-debt. As a result, this fiscal year, the Treasurer's office collected 100 percent of the current tax levy.

### **Cash Management**

Cash temporarily idle during the year was invested in time deposits and various authorized money market instruments. The town's investment activities are designed to allow the Town to obtain a higher yield on available funds consistent with constraints imposed by safety objectives, cash flow considerations, and state laws restricting the placement of funds. The amount of interest earned for FY 16 was \$40,096. This is a small increase from interest earned on temporary investments in FY 15 which totaled \$32,198. Drawdowns of funds banked for planned capital projects limit the amount of money available for investment and anemic market interest rates have also contributed to the low returns.

### **Reserve Policy**

The governing body and its chief financial officers have long recognized the importance of maintaining a prudent level of fund balance to ensure that adequate reserves are available to respond to emergencies, provide cash flow, and provide overall financial stability. The Unassigned General Fund Reserve target is 10% of the budget to provide the Town with sufficient working capital and a margin of safety to address unforeseen, one-time emergency expenditures, or significant and unforeseen declines in revenue in a specific year. Unassigned Fund Balance in the general fund measured 126% of the General Fund budget for FY 15-16 and falls well within the policy guidelines established by Town Council.

### **Risk Management**

The Town is exposed to various risks and staff utilize a variety of techniques to identify and monitor these exposures and conducts ongoing employee safety training to help prevent losses. The Town is a member of the Virginia Municipal Liability Pool and the Virginia Municipal Group Self Insurance Association. These programs provide self-insurance coverage for workers' compensation, general liability, automobile liability, property and fire protection, public officials' liability, and law enforcement liability.

### **Public Safety**

The Wise Police Department works to provide professional law enforcement services to the citizens of the Town of Wise. The Department is committed to community policing whereby officers spend time in personal contact with residents and business owners. The Department also provides on-demand crime prevention programs to citizens and organizations, and continues to sponsor the Wise Explorer Post Program. Examples of this work include 185 school walk-throughs and presentation of programs for the Head Start Program and the Wise Primary School. In addition, officers periodically eat lunch with children at the Primary School. Business bank deposit escorts are routinely provided and nearly 12,000 business security checks were completed providing opportunities for interaction with the police personnel. The Department also manned traffic checkpoints during the selective enforcement events.





In carrying out its various law enforcement functions this past year, the police department handled over 40,000 requests for assistance which led to issuance of 804 summons and 104 arrests. Calls included reports of theft, vandalism, assault, juvenile crime, traffic accidents, family violence incidents, property checks (19,642 requests), and disabled motorist assists. This past year, the Department's 2004 Chevrolet sport utility vehicle was replaced in order to assure a reliable fleet of response vehicles.

### **Public Works**

Much of the work performed by the Public Works Department involves routine maintenance. Utility crews answered 2,840 service calls during normal business hours and responded to 22 after hours call-outs. The Division also installed 16 new water taps, 13 new sewer taps, and replaced 30 meters. Approximately 2,511 feet of new water line and 1,614 feet of new sewer line was also constructed. This past year, 3,230 feet of sewer line was filmed and tested and 1 new fire hydrant was installed. Personnel also responded to 301 requests for location and marking of underground utilities.

Water losses and associated revenue losses occur in all water utilities. The public works department regularly audits water supplies and implement controls to keep system losses at reasonable levels. As a result of active resource management, the average monthly water loss through pipeline leakage was less than 6% in FY 16 which is well below the industry standard. A 2006 Chevrolet pick-up truck used daily by the meter reader in this department was replaced.

In June of 2016, a major project to rehabilitate the Wise Water Treatment Plant was completed. The comprehensive project included replacement of four existing filtration tanks, installation of new rate of flow controllers and loss of head indicators, placement of new valves in the filter gallery, installation of a new static mixer and streaming current monitor for raw water chemical feeds, replacement of the filter backwash pump, installation of variable frequency drives for the raw water pumps, completion of surface spall and crack repairs for the concrete sedimentation basins, construction of a new clearwell chlorine diffuser, and integration of a new filter control system and new SCADA workstation. Ongoing at the same time was a project to replace the membrane roofing system at the treatment plant, install a new electric roll-up door, install a new HVAC system for the plant office and lab spaces, and replace existing heaters in the filter and pipe galley.

In July of 2015, Town Council awarded a contract to Eastern Tank & Utility Services, Inc. for completion of the Modoc Water Tank Rehabilitation Project. This project included extensive interior cleaning of the IMG welded steel tank, replacement of corroded components, painting of the interior and exterior, installation of a man way and ladder, safety equipment upgrades, and replacement of roof hand rails. The project was completed in January of 2016 and it will help preserve the integrity of potable water in storage for delivery to customers and it will prolong the longevity of the facility for many years to come. This proactive maintenance is essential to avoid unexpected breakdowns and interruptions of service. Funding for the project consisted of a \$107,394 grant from the Virginia Department of Health and \$184,440 General Obligation Bond purchased by the Virginia Resources Authority. The bond is for a term of thirty years at 2.25% interest.

The Street Division performed routine town-wide preventive maintenance on storm drains in advance of and after all major rainstorms in order to reduce the severity of storm water problems. The crew also managed all snow and ice removal activities and carried out a weekly program of street cleaning for major thoroughfares. The Street Department performed routine maintenance for 27 miles of road, roadside, and storm water systems.



The Department is also responsible for the maintenance of various municipal properties including Dotson Park, Arrowhead Park, the swim facility, the Gateway Garden, Big Glades community square, Wise Town Hall, and the Wise Cemetery. The Department maintains outdoor shelters and structures, public restrooms, playground equipment, fencing, and trash receptacles. In addition, the Department mows the sites, waters all plantings in the central business district and gateways, and prunes trees and vegetation from all town right-of-way.

This year, the Street Department overlaid portions of fifteen roads in an effort to repair damage associated with the weather, wear and tear, and utility cuts. Maintenance of coal haul routes during FY 15-16 included the pavement of Old Hurricane Road. The department purchased a new one-ton dump truck equipped with a new salt spreader and a new snow plow. In addition, a new street broom attachment was purchased for the department's tractor to replace a worn out unit. Also, a new mower was purchased for grounds maintenance and cemetery upkeep.

A four-person sanitation crew collected and transported over 3,240 tons of waste to Wise County's Blackwood Landfill in FY 2016. The crew also operated a residential recycling program consisting of collection of recyclables from five neighborhood drop centers. At the conclusion of FY 2016, over 32,500 pounds of recyclable material including glass, plastic, aluminum, and newsprint was diverted from the waste stream. In addition, 30 dump truck loads of yard waste were collected and chipped.

#### **Planning and Community Development**

The Town of Wise continues to be a commercial center for the county and the region. Within a 20-mile radius of Wise there are 91,470 persons and within a 30-mile radius there are 234,227 persons. As always, the Planning Department in conjunction with the Town Manager's office continues to assist businesses and individuals seeking to invest in Wise providing both information and services. An important part of the Town's economic development initiative is its Enterprise Zone. Businesses located within the boundaries of the Enterprise Zone may qualify for State and local incentives.

Despite a challenging economic environment, the Town posted small gains in the business community. At the beginning of the year, Wise had 213 established businesses and during FY 2016, 16 new businesses elected to locate in the Town. In addition, during FY 16, three permits were issued for the construction of new residences and a conditional use permit was approved for the conversion of a single-family dwelling into a multi-family dwelling on Hurricane Road.

The Planning Department completed an update of the Town's Comprehensive Plan during FY 2016. This long-range plan sets the framework for the physical development of the community. Wise originally developed its Comprehensive Plan in 1983 and periodic updates of the plan are mandated by state code. Work included updating of demographic data and mapping, assessment of current conditions, and articulation of goals and objectives for future development. The Comprehensive Plan Update will help guide the town in growing a more prosperous, educated, healthy, and resilient community.

The Planning Department has also worked to eliminate blight throughout the Town through enforcement of the Uniform Property Maintenance Code, local mowing ordinances, and litter regulations. Four properties were cited for Property Maintenance Code violations, four notices of Zoning Ordinance violations were issued, and thirty-nine requests for mowing of property were sent.



Special events continue to be an important part of a marketing strategy to attract customers, investors, and tourists and new residents to Wise. The Big Glades Community Square is an affiliate venue on The Crooked Road, Virginia's Heritage Music Trail. The 2016 event season at Big Glades Community Square kicked off on June 11th with a Crooked Road Mountains of Music homecoming concert featuring The Cumberland River Band and Cowboy Poets and ended with the 36<sup>th</sup> Annual Wise County Famous Fall Fling in October. During the summer, six separate concerts featuring twelve bands were staged at the amphitheatre and offered free to the public as a result of partnerships with a variety of businesses and organizations. The fourth annual "Chillin & Grillin in the Glades" event was a big hit and included a KCBS sanctioned State Barbecue Championship competition, Peach of a Pie contest at the Wise Inn, cornhole tournament, Miss BarbeCUTIE Pageant, Kids Corner, and concerts by Big Engine and the Atlanta Rhythm Section. This wildly popular event was expanded to three days this year. Another signature event at Big Glades was a showcase of local talent entitled "Living & Giving". The AC/DC tribute band, Big Gun rounded out the schedule with a show in August. Various genres of music were represented throughout the concert series including bluegrass, country, golden oldies, beach tunes, and classic rock. In addition, the Town partnered with Sykes Enterprises, the UVA-Wise Alumni Association, and the Wise Kiwanis Club to host a free outdoor movie series at Big Glades. This popular family-friendly activity featured five movie nights hosted throughout the summer. True to its original design, Big Glades also hosted a weekly Farmers Market each Thursday afternoon beginning in June and ending in September.

In August Cavalier Pharmacy organized an event at Big Glades in celebration of the end of summer and return to school. More than 800 packages of free school supplies were distributed to participants. In addition a number of organizations provided information about healthy living, eating well, and staying active. Costumed characters mingled with the crowd, and there was a play area with activities for the children. A number of churches, businesses, and organizations partnered with Cavalier Pharmacy to sponsor the hugely successful event.

In recognition of the importance of the College to this community, the Town manned a welcome booth during Convocation Day in August to welcome new and returning students, faculty, and staff. Informational literature and maps were distributed along with a bag of free complimentary items. Key staff members from various departments were on hand to answer questions.

Each October, the Planning Department and Public Works personnel work with the Wise Business Association to prepare for Wise County's Famous Fall Fling. The celebration features traditional mountain music and an arts and crafts festival. Approximately 150 vendors participated and there were two separate music venues with the main stage at Big Glades hosting seventeen performances. This year's event included a beauty pageant, Senior Citizens picnic in the park, a photography/art exhibit, 5K run and 1K fitness walk, chili cook-off, and writing, photo, art, and pet contests. Back by popular demand was the community-wide yard sale earlier in the week leading up to the main events on Saturday and Sunday. The Town provides security, traffic control, tent, stage, and food court set-up, garbage collection, and other logistical and support services.

### **Parks and Recreation**

The 2016 pool season began on May 28th and ended on August 7th with 10,000 people visiting the facility during that time period. Despite good attendance, fees for services were not sufficient to fund the total cost of daily operation and maintenance. In addition, periodic resurfacing of the pool and replacement of aging pumps will require supplemental funding.



## **FACTORS AFFECTING FUTURE FINANCIAL CONDITION**

The economic condition and outlook for the Town of Wise continues to be very guarded. The presence of the University of Virginia's College at Wise (UVA-Wise) provides many benefits to the local economy. The combination of approximately 2,000 students and over 500 faculty and staff bring significant potential buying power and tax base to the Town which local merchants can work to capture. The Town continues to coordinate with the College to assure the presence of required infrastructure necessary to facilitate the expansion of campus facilities.

Approximately fifty percent of the land area within Wise consists of slopes exceeding twenty percent which generally precludes any large scale commercial or industrial development. Approximately forty percent of the remaining land area is already principally developed. Further, some of the remaining land area is located within flood prone areas of Glade and Yellow creeks which means that for all practical purposes, there is very little room for additional economic growth in the Town.

Lying within the coalfields of Southwest Virginia, the Town's economic and demographic profile generally reflects the prevailing conditions of the coalfield region. A major weakness of that economy is over dependence on one economic sector for basic employment, namely the coal mining industry. Looking realistically to the future requires that we consider the new economic reality of a market not favorable for the coal industry, and a new focus on natural gas as the preferred fuel source for energy production. This has led to significant job losses and closure of local businesses. In the past, mining payrolls and taxes paid by the coal industry have supported local and state government and contributed to the growth of the coalfield region through various grant programs. In addition, the coal industry has also been a generous supporter of nonprofit and charitable organizations that meet local human service needs. We will be hard-pressed to replace these losses. Current economic trends reflect continuing unemployment rates that exceed historic averages and limited housing activity. These conditions have and will continue to challenge the Town and the region. Significant action by the Federal government will be required now and for the foreseeable future in order to restore the nation's solvency in view of rising commitments for healthcare and debt service. Likewise, anticipated reductions in federal spending in Virginia will lead to increased pressures on the Commonwealth's budget. This will likely lead to more decreases in current Federal and State aid programs and additional shifting of new costs to localities. At the same time, the current revenue structure imposed on localities by the State provides few means to address these anticipated difficulties. The Town will have to carefully consider actions being taken at the State and Federal level in setting municipal spending priorities for the next fiscal year.

Mandates for improvements to all the Town's basic infrastructure continue to mount. In addition municipalities are heavy consumers of steel, concrete, stone, fuel, power, and petroleum-based products. The effects of inflation on the cost of these materials and resources can be significant. Property taxes have not kept pace with the increases in wages and benefits and the prices of inputs used to provide municipal services.

In the face of multiple challenges, maintaining the Town's financial stability and improving fund balance will be a difficult mission. The Town has made significant strides in increasing revenue from water and sewer operations in order to bring the fund closer to self-sufficiency. However, utilities have to invest in a variety of innovative and expensive technologies and infrastructure to ensure that they are compliant with regulatory standards and requirements. In order to do so, utilities must increasingly rely on customer revenue which raises the problem of affordability. Expensive State mandated upgrades of water and wastewater treatment facilities will require more rate increases





and continued efforts to control costs. These mandates and reduced state funding are arguably one of the greatest short-term threats to the financial stability of the Town.

Historically, the governing body has recognized that the quality of service rendered by the Town is directly related to the quality of personnel employed by the Town, and that getting and keeping qualified, dedicated people to provide services to the citizens is a prerequisite to accomplishment of any and all other goals that the governing body and the citizens might have. Costs of wages and benefits to support these human resources are sizeable and expenses associated with retirement and healthcare programs continue to rise at an alarming rate. The governing body will have to provide policy leadership to strategically reduce expenses while minimizing impact to services if a healthy financial position is to be maintained.

In addition, balancing funding for existing programs and the needs for capital improvements with taxpayer affordability will be an extremely difficult exercise. Creating innovative approaches to service delivery and exploring opportunities for partnerships with other organizations will become increasingly important for sound financial planning.

For the 2015-2016 Fiscal Year, Town Council approved a General Fund Operating Budget of \$5 million. The Town ended the year with a surplus. However, major expenditure controls were required to generate this income including a hiring freeze for open positions, reduction in employee benefits, deferred facility maintenance, and delay of equipment replacements. These measures will not be sustainable over the long term and point to the need for strong financial management and greater reserve. This is especially true in light of the impact that significant increases in debt have on future rate structures and operating budgets.

Respectfully Submitted,

Beverly Owens  
Town Manager



MEMBERS OF COUNCIL

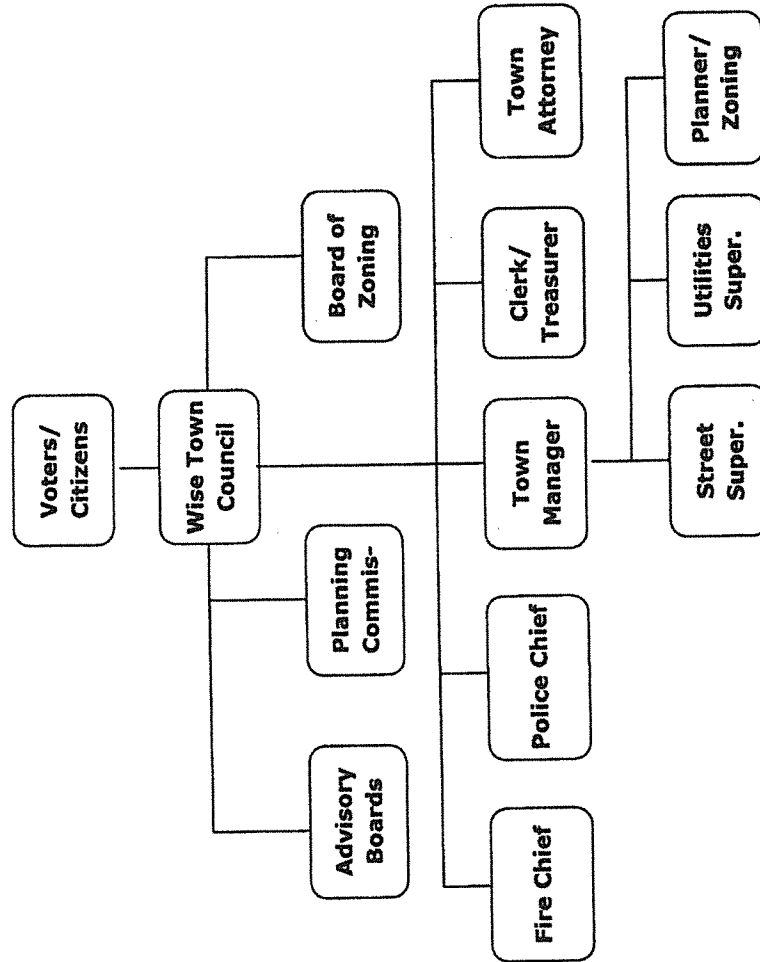
Caynor A. Smith, Jr., Mayor  
Teresa H. Adkins, Vice-Mayor  
Billy Bartlett, Jr.  
Jeff Dotson  
Cindi Smoot

OTHER TOWN OFFICIALS

Beverly Owens, Town Manager  
Robin Meade, Town Treasurer  
Tony Bates, Chief of Police



# Town of Wise Organizational Chart





# LARRY D. STURGILL, P. C.

LARRY D. STURGILL

MEMBER  
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## INDEPENDENT AUDITORS' REPORT

The Honorable Members of Town Council  
Town of Wise  
Wise, Virginia 24293

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Town of Wise, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audit 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 of 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, and each major fund of the Town of Wise, 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.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension plan information on pages 4-10, 51-56, and 65-67 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.



*Other Information*


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

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

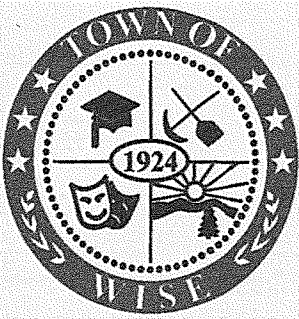
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2016, on our consideration of the Town of Wise, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Wise, Virginia's internal control over financial reporting and compliance.

  
Larry D. Sturgill, P.C.  
Wise, Virginia  
November 17, 2016





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**Town of Wise, Virginia  
Management's Discussion and Analysis**

As management of the Town, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2016. I encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal in the Introductory Section of this report, and the Town's financial statements which follow this discussion and analysis.

**Financial Highlights**

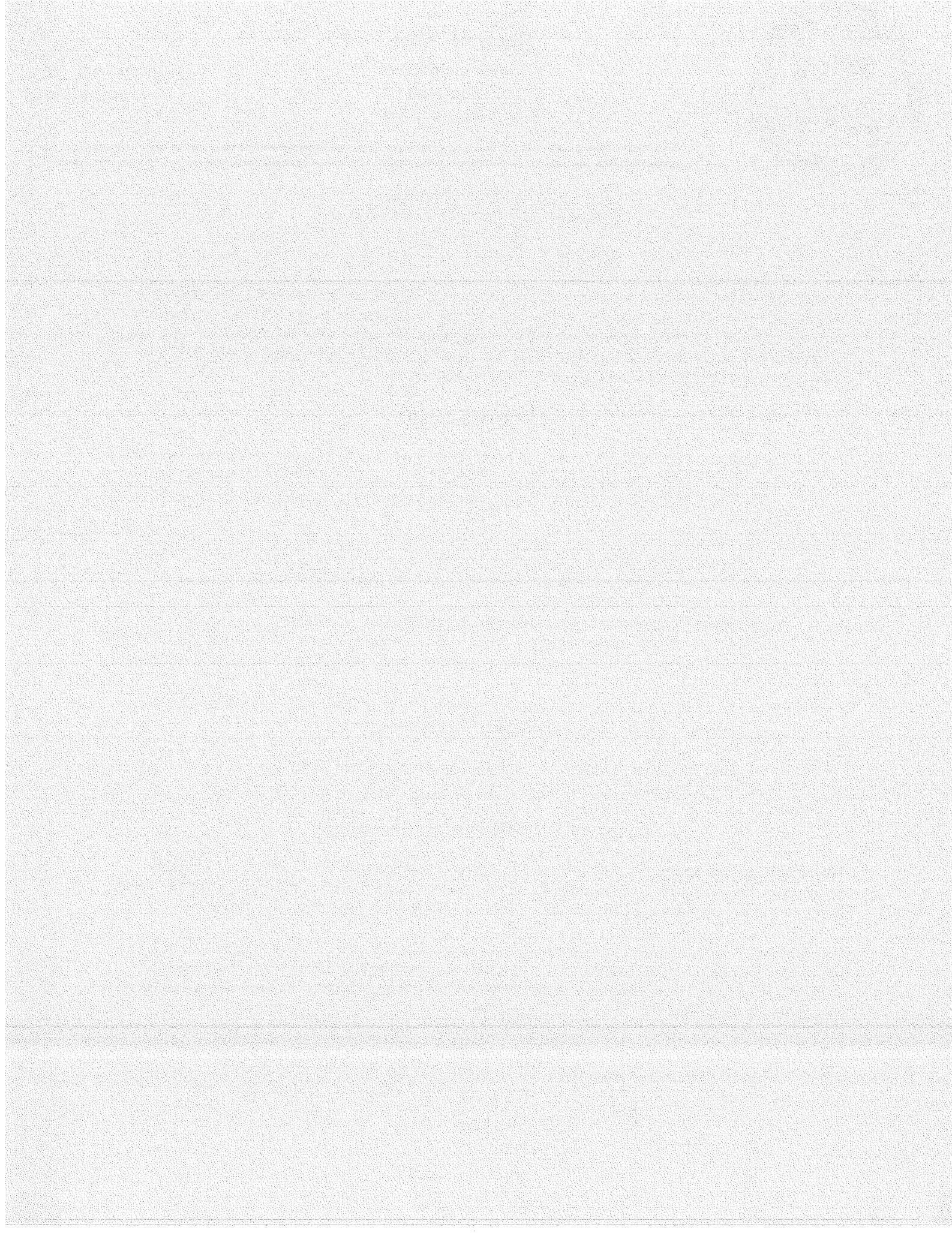
- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$23,898,812 (net position). Of this amount, \$5,747,546 (unrestricted) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$1,639,713, of which the governmental activities increased by \$1,224,890 and business-type activities increased by \$414,823.
- As of the close of the current fiscal year, the Town's general fund reported an ending fund balance of \$6,088,899, an increase of \$1,181,914 in comparison with the prior year. \$5,517,619 of this total amount is available for spending at the Town's discretion (unassigned fund balance).
- Unassigned fund balance for the general fund was \$5,517,619, or 172% percent of total general fund expenditures and 126% of total general fund revenues.
- The Town's total debt increased by \$600,667 during the current fiscal year.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements. **Government-wide financial statements:** The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's overall financial status, in a manner similar to a private-sector business.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are



reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both the government-wide financial statements distinguish functions of the Town which are principally supported by taxes, and other non-exchange revenues transactions (*governmental activities*) from other activities which are intended to recover all or a significant portion of their costs through user fees charged to external parties (*business-type activities*). The governmental activities of the Town include general government administration; public safety; public works; parks and recreation and cultural: community development. The business-type activities consist of public utilities.

The government-wide financial statements (Exhibit 1 and 2) include only the Town itself. The Town has no component units to report.

**Fund financial statements:** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Town can be divided into two categories: governmental fund, and proprietary fund.

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements *focus on near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare to the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town adopts an annual appropriated budget for its General fund and proprietary fund, although not required for the proprietary fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with its budget.

The Town maintains one type of **Proprietary Fund:** The *Enterprise Fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its public utilities (water fund and sewer fund) .

Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found at Exhibits 6 through 8 of this report.

**Notes to financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government –wide and fund financial statements.





## Financial Analysis of the Town

Changes in net position may serve over time as a useful indicator of a Town's financial position. Of interest, the Town's assets and deferred outflows exceeded liabilities and deferred inflows by \$23,898,812 at the close of fiscal year 2016.

The largest portion of the Town's net position ( \$16,779,531; 70 percent of the total) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide service to citizens: consequently, these assets are *not* available for future spending, as capital assets are generally not sold or otherwise disposed of during their useful life. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Government-Wide Financial Analysis

#### Town of Wise, Virginia's Net Position

	<u>Primary Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
<b><u>ASSETS AND DEFERRED OUTFLOWS:</u></b>		
Current and Other Assets	\$ 7,690,089	\$ 6,467,230
Capital Assets, Net	20,334,543	19,667,492
Other Noncurrent Assets	800,455	800,455
Deferred Outflows	<u>363,872</u>	<u>192,679</u>
<b>Total Assets and Deferred Outflows</b>	<b><u>29,188,959</u></b>	<b><u>27,127,856</u></b>
<b><u>LIABILITIES AND DEFERRED INFLOWS:</u></b>		
Current Liabilities	427,389	604,302
Long-Term Liabilities Outstanding	4,313,411	3,718,972
Deferred Inflows	<u>549,347</u>	<u>545,483</u>
<b>Total Liabilities and Deferred Inflows</b>	<b><u>5,290,147</u></b>	<b><u>4,868,757</u></b>
<b><u>NET POSITION:</u></b>		
Net Investment in Capital Assets	16,779,531	16,713,147
Restricted	1,371,735	1,584,630
Unrestricted	<u>5,747,546</u>	<u>3,961,322</u>
<b>Total Net Position</b>	<b><u>23,898,812</u></b>	<b><u>22,259,099</u></b>
<b>Total Liabilities, Deferred Inflows, And Net Position</b>	<b><u>\$ 29,188,959</u></b>	<b><u>\$ 27,127,856</u></b>



**Government-Wide Financial Analysis (Continued)**

At the end of the current fiscal year, the Town is able to report a positive balance in its net position, both for the Town as a whole, and as well as for its governmental activities.

Governmental Activities – Primary Governmental activities increased the Town's net position by \$1,639,713. Key elements of this increase are as follows:

<b>Town of Wise, Virginia's Change in Net Position</b>		
	<b><u>Primary Governmental Activities</u></b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>REVENUES:</b>		
<b>Program Revenues:</b>		
Charges for Services	\$ 3,086,767	\$ 3,114,835
Grants and Contributions	1,414,669	1,226,762
<b>General Revenues:</b>		
Property Taxes	867,187	710,274
Other Local Taxes	2,287,231	2,150,911
Other	107,019	106,980
<b>TOTAL REVENUES</b>	<b><u>\$ 7,762,873</u></b>	<b><u>\$ 7,309,762</u></b>
<b>EXPENSES:</b>		
General Government	\$ 509,216	\$ 481,626
Public Safety	1,024,496	1,138,905
Public Works	1,203,254	1,252,947
Health and Welfare	19,182	2,221
Parks, Recreation and Culture	229,553	235,995
Community Development	166,517	181,964
Interest Expense	0	0
Water and Sewer	2,970,942	2,878,000
<b>TOTAL EXPENSES</b>	<b><u>\$ 6,123,160</u></b>	<b><u>\$ 6,171,658</u></b>
 <b>Increase (Decrease) in Net Position</b>	 <b>\$ 1,639,713</b>	 <b>\$ 1,138,104</b>
 Net Position – June 30, 2015	 <u>22,259,099</u>	 <u>21,120,995</u>
Net Position – June 30, 2016	<u><b>\$ 23,898,812</b></u>	<u><b>\$ 22,259,099</b></u>



## Financial Analysis of the Town's Funds

As noted earlier, the Town used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Fund:** The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In addition, the Town's fund balance classifications are useful to identify the extent to which the Town's fund balances are constrained and how binding those constraints are.

At the end of the current fiscal year, the Town's *governmental fund* reported an ending fund balance of \$6,088,899, an increase of \$1,181,914 in comparison with the prior year. \$571,280 (9%) is classified as restricted to indicate that it can only be spent for specific purposes as stipulated by external resource providers (for example, through debt covenants, grant agreements, or by laws or regulations of other governments. Ninety percent of this total amount, \$5,517,619 constitutes *unassigned fund balance*. Unassigned fund balances are technically available for any remaining purpose, but are maintained at targeted levels in accordance with sound financial management practices.

The General Fund is the only operating fund (and only governmental fund) of the Town (Exhibit 3). The General Fund's balance increased \$1,181,914 during fiscal year 2016 to \$6,088,899, of which \$5,517,619 is unassigned. As one measure of the General Fund's liquidity, it is useful to compare the total of the Town's assigned and unassigned fund balances to total revenues. At the end of fiscal year 2016, the General Fund's assigned and unassigned fund balances of \$6,088,899 represents (139%) of total General Fund revenues of \$4,377,952. In addition, General Fund's unassigned fund balance totaled \$5,517,619 and continues to exceed the 10% minimum set by the Town's fund balance policy. The \$1,181,914 fiscal year 2016 increase in the General Fund's fund balance resulted from General Fund revenues of \$4,377,952 less expenditures of \$3,196,038, and was primarily the result of expenditure savings as shown on Exhibit 4 to the financial statements.

**Proprietary Funds:** The Town's proprietary funds financial statements provide the same type of information presented in the business-type activities on the government-wide financial statements, as their basis of accounting is the same, but in more detail. Factors relating to the financial position and results of operation of the Town's Public Utilities System (water fund and sewer fund) have been addressed in the discussion of the Town's business-type activities.

### General Fund Budgetary Highlights

Differences between the budgeted and the actual amounts represent expenditures being \$1,860,627 lower than anticipated, while revenues were \$678,713 lower than anticipated, resulting in a favorable difference of \$1,181,914 (the net change in fund balance).

### Capital Asset and Debt Administration

**Capital assets:** The Town's investment in capital assets for its primary governmental activities as of June 30, 2016 amounts to \$20,334,543, net of accumulated depreciation. This investment is in land, buildings and improvements, infrastructure, and machinery and equipment. The total increase in the Town's investment in capital assets, net of depreciation, for all funds in the current fiscal year was \$667,051.



**Town of Wise, Virginia's Change in Capital Assets**

	<b><u>Governmental Activities</u></b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>
Land	\$ 2,281,892	\$ 2,281,892
Buildings and Building Improvements	3,038,804	3,021,362
Infrastructure	25,194,594	23,495,014
Equipment	4,228,831	4,128,535
Total	34,744,121	32,926,803
Less: accumulated depreciation	(14,409,578)	(13,259,311)
Net capital assets	<u>\$20,334,543</u>	<u>\$ 19,667,492</u>

Additional information on the Town's capital assets can be found in Note 6.

**Long-term debt:** At the end of the current fiscal year, the Town had total primary government debt outstanding of \$3,555,012, in addition to claims, judgments, and compensated absences of \$115,516. Of this amount, \$3,555,012 comprises debt backed by the full faith and credit of the Town.

In the Commonwealth of Virginia there is no State statute that limits the amount of general obligation debt a Town may issue.

During the current fiscal year, the Town's total primary government debt increased by \$600,667.

Additional information on the Town of Wise, Virginia's long-term debt can be found in Note 8 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- The June 2016 unemployment rate for the local area was 8.3% percent, which is a decrease from a rate of 9.2% percent a year ago. This is higher than the state's average unemployment rate of 3.7 % percent by 4.6 % percent and higher than the national average rate of 4.9% by 3.4 percent.

All of these factors were considered in preparing the Town's budget for the 2016 fiscal year.

**Rates**

The appropriate tax rates for the 2015-2016 year are as follows: .30 per \$100 value for real estate, mobile home taxes, and public utilities real estate, .63 per \$100 value for personal property, machinery and tools, and public service personal property.





### **Request for Information**

This financial report is designed to provide a general overview of the Town of Wise, Virginia's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Ms. Beverly Owens, Wise, Virginia 24293.



## BASIC FINANCIAL STATEMENTS

**TOWN OF WISE, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Governmental Activities</u>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 5,339,746	\$ 903,226	\$ 6,242,972
Receivables, Net			
Taxes	158,299	-	158,299
Accounts	50,912	326,591	377,503
Other	7,721	147	7,868
Due from Other Governmental Units	91,479	139,478	230,957
Restricted Cash	571,280	101,210	672,490
Total Current Assets	<u>6,219,437</u>	<u>1,470,652</u>	<u>7,690,089</u>
Noncurrent Assets:			
Restricted Cash	-	800,455	800,455
Capital Assets:			
Land, Non-Depreciable Improvements, and			
Construction in Progress	1,985,892	296,000	2,281,892
Other Capital Assets, Net of Depreciation	7,433,434	10,619,217	18,052,651
Total Noncurrent Assets	<u>9,419,326</u>	<u>11,715,672</u>	<u>21,134,998</u>
Total Assets	<u>15,638,763</u>	<u>13,186,324</u>	<u>29,625,542</u>
<b>DEFERRED OUTFLOWS</b>			
Pension Plan	<u>211,046</u>	<u>152,826</u>	<u>363,872</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	69,893	124,903	194,796
Accrued Liabilities and Wages	41,303	27,263	68,566
Compensated Absences	6,481	5,071	11,552
Customer Deposits	-	101,210	101,210
General Obligation Bonds Payable	-	51,265	51,265
Total Current Liabilities	<u>117,677</u>	<u>309,712</u>	<u>427,389</u>
Noncurrent Liabilities:			
Noncurrent Portion of Compensated Absences	58,328	45,636	103,964
Other Post Employment Benefits	151,338	-	151,338
Net Pension Liability	314,295	227,592	541,887
Accrued Interest	-	12,475	12,475
Noncurrent Portion of Long-term Obligation	-	3,503,747	3,503,747
Total Noncurrent Liabilities	<u>523,961</u>	<u>3,789,450</u>	<u>4,313,411</u>
Total Liabilities	<u>641,638</u>	<u>4,099,162</u>	<u>4,740,800</u>
<b>DEFERRED INFLOWS</b>			
Pension Plan	<u>318,621</u>	<u>230,726</u>	<u>549,347</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	9,419,326	7,360,205	16,779,531
Restricted-Cemetery Savings	401,734	-	401,734
Restricted-Debt Reserves	-	800,455	800,455
Restricted-Transportation	169,546	-	169,546
Unrestricted	4,898,944	848,602	5,747,546
Total Net Position	<u>\$ 14,889,550</u>	<u>\$ 9,009,262</u>	<u>\$ 23,898,812</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF WISE, VIRGINIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government Administration	\$ 509,216	\$ -	\$ -	\$ 28,348	\$ (480,868)	\$ -	\$ (480,868)
Public Safety	1,024,496	-	101,391	4,500	(918,605)	-	(918,605)
Public Works	1,203,254	263,834	1,937	642,972	(294,511)	-	(294,511)
Health and Welfare	19,182	-	-	-	(19,182)	-	(19,182)
Parks, Recreation and Cultural	229,553	68,862	-	-	(160,691)	-	(160,691)
Community Development	166,517	-	4,000	-	(162,517)	-	(162,517)
Interest and Fiscal Charges	-	-	-	-	-	-	-
Total Governmental Activities	<u>3,152,218</u>	<u>332,696</u>	<u>107,328</u>	<u>675,820</u>	<u>(2,036,374)</u>	<u>-</u>	<u>(2,036,374)</u>
Business-Type Activities:							
Water	1,644,116	1,401,281	-	631,521	-	388,686	388,686
Sewer	1,326,826	1,352,790	-	-	-	25,964	25,964
Total Business-Type Activities	<u>2,970,942</u>	<u>2,754,071</u>	<u>-</u>	<u>631,521</u>	<u>-</u>	<u>414,650</u>	<u>414,650</u>
Total Primary Government	<u>\$ 6,123,160</u>	<u>\$ 3,086,767</u>	<u>\$ 107,328</u>	<u>\$ 1,307,341</u>	<u>(2,036,374)</u>	<u>414,650</u>	<u>\$ (1,621,724)</u>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					867,187	-	867,187
Utility Taxes					83,122	-	83,122
Mineral Taxes					31,291	-	31,291
Franchise Taxes					4,904	-	4,904
Local Sales and Use Taxes					232,411	-	232,411
Other Local Taxes					1,935,503	-	1,935,503
Investment Income					39,773	323	40,096
Gain/(Loss) From Property Disposal					(2,180)	(150)	(2,330)
Other					69,253	-	69,253
Total General Revenues and Transfers					<u>3,261,264</u>	<u>173</u>	<u>3,261,437</u>
Change in Net Position					1,224,890	414,823	1,639,713
Net Position - Beginning					<u>13,664,660</u>	<u>8,594,439</u>	<u>22,259,099</u>
Net Position - Ending					<u>\$ 14,889,550</u>	<u>\$ 9,009,262</u>	<u>\$ 23,898,812</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF WISE, VIRGINIA  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2016**

	<u>General Fund</u>	<u>Total</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 5,339,746	\$ 5,339,746
Receivables, Net:		
Taxes	158,299	158,299
Accounts	50,912	50,912
Other	7,721	7,721
Due From Other Governments	91,479	91,479
Restricted Cash	571,280	571,280
Total Assets	<u>6,219,437</u>	<u>6,219,437</u>
<b>LIABILITIES</b>		
Accounts Payable	69,893	69,893
Accrued Payroll and Related Liabilities	41,303	41,303
Total Liabilities	<u>111,196</u>	<u>111,196</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes Receivable	19,342	19,342
Total Deferred Inflows of Resources	<u>19,342</u>	<u>19,342</u>
<b>FUND BALANCES</b>		
Nonspendable for Cemetery	401,734	401,734
Restricted for Debt Service	-	-
Restricted for Transportation	169,546	169,546
Unassigned Funds	5,517,619	5,517,619
Total Fund Balances	<u>6,088,899</u>	<u>6,088,899</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,219,437</u>	<u>\$ 6,219,437</u>

**Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:**

Total Fund Balances		\$ 6,088,899
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds. The cost of the assets is \$16,090,716 and the accumulated depreciation is \$6,671,390		9,419,326
Because the focus of governmental funds is on current resources, some inflows/outflows of resources are recognized in future periods and are not included in the governmental funds.		(721,951)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consisted of the following:		
Other Post Employment Benefit	\$ (151,338)	
Compensated Absences	(64,809)	
Net Pension Asset	<u>319,423</u>	<u>103,276</u>
<b>Net Position of Governmental Activities</b>		<u>\$ 14,889,550</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF WISE, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**EXHIBIT 4**

	<u>General Fund 2016</u>	<u>General Fund 2015</u>
<b>REVENUES</b>		
General Property Taxes	\$ 808,460	\$ 659,443
Other Local Taxes	2,182,802	2,042,875
Permits, Privilege Fees and Regulatory Licenses	525	547
Fines and Forfeitures	19,889	17,340
Revenue From the Use of Money and Property	39,773	27,567
Charges for Services	332,696	363,970
Miscellaneous	61,178	80,249
Intergovernmental	<u>932,629</u>	<u>1,273,487</u>
Total Revenues	<u>4,377,952</u>	<u>4,465,478</u>
<b>EXPENDITURES</b>		
Current:		
General Government Administration	475,411	465,932
Public Safety	1,103,005	1,071,881
Public Works	1,316,624	1,747,530
Health and Welfare	19,182	2,221
Parks, Recreation and Cultural	171,630	161,155
Community Development	110,186	104,539
Debt Service:		
Principal Retirement	-	-
Interest	-	-
Total Expenditures	<u>3,196,038</u>	<u>3,553,258</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,181,914</u>	<u>912,220</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Loan Proceeds	-	-
Operating Transfers	-	(475,812)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(475,812)</u>
Net Change in Fund Balance	1,181,914	436,408
Fund Balance - Beginning	4,906,985	4,470,577
Fund Balance - Ending	<u>\$ 6,088,899</u>	<u>\$ 4,906,985</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF WISE, VIRGINIA  
RECONCILIATION OF STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

**EXHIBIT 5**

**General  
Fund**

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Amounts Presented for Governmental Activities in the statement of activities are different because:

Net Change in Fund Balance- Total Governmental Fund \$ 1,181,914

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation in the period. (57,092)

Because some property taxes will not be collected for several months after the Town's year end, they are not considered as "available" revenues in the governmental funds. Deferred tax revenue increased by this amount this year. 1,335

In the statement of activities, revenues that do not provide current financial resources and expenses that are not paid by current resources are not reported in the fund statements. 74,689

In the statement of activities, compensated absences are measured by the amounts earned during the year. In governmental funds however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used. 24,044

Total Change in Net Position of Governmental Activities \$ 1,224,890

The accompanying notes are an integral part of the financial statements.



**TOWN OF WISE, VIRGINIA**  
**COMBINED STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**June 30, 2016**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Combined Totals 2016</u>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 645,940	\$ 257,286	\$ 903,226
Receivables, Net	167,289	159,449	326,738
Due From Other Governmental Units	139,478	-	139,478
Restricted Cash	101,210	-	101,210
Total Current Assets	<u>1,053,917</u>	<u>416,735</u>	<u>1,470,652</u>
Noncurrent Assets:			
Restricted Cash	800,455	-	800,455
Capital Assets, Depreciable, Net	9,315,147	1,304,070	10,619,217
Capital Assets, Non-Depreciable	209,750	86,250	296,000
Total Noncurrent Assets	<u>10,325,352</u>	<u>1,390,320</u>	<u>11,715,672</u>
Total Assets	<u>11,379,269</u>	<u>1,807,055</u>	<u>13,186,324</u>
<b>DEFERRED OUTFLOWS</b>			
Pension Plan	<u>87,329</u>	<u>65,497</u>	<u>152,826</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	68,543	56,360	124,903
Accrued Wages and Liabilities	16,218	11,045	27,263
Customer Deposits	101,210	-	101,210
Compensated Absences-Current	3,114	1,957	5,071
General Obligation Bonds Payable-Current	51,265	-	51,265
Total Current Liabilities	<u>240,350</u>	<u>69,362</u>	<u>309,712</u>
Noncurrent Liabilities:			
Compensated Absences-Noncurrent	28,022	17,614	45,636
Net Pension Liability	130,053	97,539	227,592
Accrued Interest	12,475	-	12,475
General Obligation Bonds Payable-Noncurrent	3,503,747	-	3,503,747
Total Noncurrent Liabilities	<u>3,674,297</u>	<u>115,153</u>	<u>3,789,450</u>
Total Liabilities	<u>3,914,647</u>	<u>184,515</u>	<u>4,099,162</u>
<b>DEFERRED INFLOWS</b>			
Pension Plan	<u>131,843</u>	<u>98,883</u>	<u>230,726</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	5,969,885	1,390,320	7,360,205
Restricted-Debt Reserves	800,455	-	800,455
Unrestricted	649,768	198,834	848,602
Total Net Position	<u>\$ 7,420,108</u>	<u>\$ 1,589,154</u>	<u>\$ 9,009,262</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF WISE, VIRGINIA  
COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Combined Totals 2016</u>
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 1,316,795	\$ 1,320,646	\$ 2,637,441
Connection Charges	1,500	1,500	3,000
Miscellaneous	<u>82,986</u>	<u>30,644</u>	<u>113,630</u>
<b>Total Operating Revenues</b>	<u>1,401,281</u>	<u>1,352,790</u>	<u>2,754,071</u>
<b>OPERATING EXPENSES</b>			
Personnel Services	543,601	332,953	876,554
Fringe Benefits	207,958	128,627	336,585
Contractual Services	22,853	620,662	643,515
Utilities and Telephone	58,399	8,665	67,064
Materials and Supplies	131,732	37,405	169,137
Other Charges	61,042	44,326	105,368
Depreciation	<u>499,920</u>	<u>154,188</u>	<u>654,108</u>
<b>Total Operating Expenses</b>	<u>1,525,505</u>	<u>1,326,826</u>	<u>2,852,331</u>
<b>Operating Income (Loss)</b>	<u>(124,224)</u>	<u>25,964</u>	<u>(98,260)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Miscellaneous Income	-	-	-
Interest Income/(Expense)	(118,288)	-	(118,288)
Gain (Loss) on Sale of Assets	<u>(150)</u>	<u>-</u>	<u>(150)</u>
<b>Total Nonoperating Revenue (Expenses)</b>	<u>(118,438)</u>	<u>-</u>	<u>(118,438)</u>
<b>Income (Loss) Before Contributions and Transfers</b>	(242,662)	25,964	(216,698)
Operating Transfer In/(Out)	(1,563,190)	1,563,190	-
Contribution from Other Governmental Units	<u>631,521</u>	<u>-</u>	<u>631,521</u>
<b>Change in Net Position</b>	(1,174,331)	1,589,154	414,823
<b>Total Net Position, Beginning</b>	<u>8,594,439</u>	<u>-</u>	<u>8,594,439</u>
<b>Total Net Position, Ending</b>	<u>\$ 7,420,108</u>	<u>\$ 1,589,154</u>	<u>\$ 9,009,262</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF WISE, VIRGINIA  
COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Combined Total 2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received From Customers	\$ 1,500,584	\$ 1,162,697	\$ 2,663,281
Cash Payments to Suppliers	(602,268)	(523,773)	(1,126,041)
Cash Payments to Employees	(773,537)	(430,964)	(1,204,501)
Other Operating Revenues	82,986	30,644	113,630
Net Cash Provided (Used) by Operating Activities	<u>207,765</u>	<u>238,604</u>	<u>446,369</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Penalties and Interest Charges	-	-	-
Increase (Decrease) in Customer Deposits	(735)	-	(735)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(735)</u>	<u>-</u>	<u>(735)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of Capital Assets	(1,397,083)	-	(1,397,083)
Miscellaneous Proceeds	-	18,682	18,682
Loan Proceeds	639,988	-	639,988
Principal Paid on Revenue Bond	(39,321)	-	(39,321)
Interest Paid on Revenue Bonds	(112,628)	-	(112,628)
Contributions and Grants	631,521	-	631,521
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(277,523)</u>	<u>18,682</u>	<u>(258,841)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and Dividends on Investments	323	-	323
Net Cash Provided (Used) by Investing Activities	<u>323</u>	<u>-</u>	<u>323</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(70,170)	257,286	187,116
Cash Balances, Beginning	1,617,775	-	1,617,775
Cash Balances, Ending	<u>\$ 1,547,605</u>	<u>\$ 257,286</u>	<u>\$ 1,804,891</u>

**DISCLOSURE OF ACCOUNTING POLICY**

For purposes of the Statement of Cash Flows, the Water Fund and Sewer Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

The accompanying notes are an integral part of the financial statements.

**TOWN OF WISE, VIRGINIA  
COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

**EXHIBIT 8  
Page 2**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total 2016</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ (124,224)	\$ 25,964	\$ (98,260)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	499,920	154,188	654,108
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	182,289	(159,449)	22,840
Increase (Decrease) in Accounts Payable	(124,835)	56,360	(68,475)
Increase (Decrease) in Accrued Wages and Liabilities	(6,588)	11,045	4,457
Increase (Decrease) in Accrued Vacation	(15,390)	19,571	4,181
Increase (Decrease) in Net Pension Liability	(99,743)	97,539	(2,204)
Increase (Decrease) in Pension Plan Deferrals	(103,664)	33,386	(70,278)
Total Adjustments	331,989	212,640	544,629
Net Cash Provided by Operating Activities	<u>\$ 207,765</u>	<u>\$ 238,604</u>	<u>\$ 446,369</u>

The accompanying notes are an integral part of the financial statements.

## NOTES TO FINANCIAL STATEMENTS

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1:      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

**A.      Reporting Entity**

The Town of Wise is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town as a primary government. Upon consideration of potential component units, it was determined that there were no component units for the Town.

**B.      Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government and its component units, if any. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds, including any fiduciary funds. Separate statements are presented for the *governmental and proprietary* fund categories; however, there were no *fiduciary* funds to be presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The government reports the following major governmental funds:

(1) Governmental Funds account for the expendable financial resources, other than those accounted for in Fiduciary Funds. The Governmental Fund measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination as would apply to a commercial enterprise. The individual Governmental Fund is:

General Fund - The General Fund is the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income.

(2) Proprietary Funds account for activities similar to those found in the private sector. The measurement focus is upon determination of net income. Proprietary Funds consist of Enterprise and Internal Service Funds.

Enterprise Funds - Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town of Wise is that the cost of providing services to the general public be financed or recovered through user charges. The Enterprise Fund consists of the Water Fund and Sewer Fund.

**C. Measurement Focus and Basis of Accounting**

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements, if any, are reported using the economic resources measurement focus. The government-wide, proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1:      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 45 days after year-end.

**D.      Budgets and Budgetary Accounting**

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

- (1) The Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain citizen comments.
- (3) Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
- (4) The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. The appropriation for each department or category can be revised only by the Council. The Town Manager is authorized to transfer budgeted amounts within general government departments.
- (5) Formal budgetary integration is employed as a management control device during the year for the General Fund.
- (6) All budgets are adopted on a cash basis, but variances from modified accrual basis budgets are not considered to be material.
- (7) Appropriations lapse on June 30 for all Town units.
- (8) All budget data presented in the accompanying financial statements is the original budget, as no amendments were made during the year.

*Budgetary Comparison Schedules:* Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual



**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1:      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under this reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

**E.      Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

**F.      Property, Plant and Equipment**

Property, plant and equipment purchased is stated at cost. Donated property is recorded at market value prevailing at date of donation. Depreciation has been provided in the proprietary fund over the following estimated useful lives using the Straight-Line Method:

	<u>Water and Sewer Fund</u>
Water/Sewer System	30 years
Improvements Other Than Buildings	30 – 40 years
Equipment	3 – 10 years

**G.      Allowance for Uncollectible Accounts**

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$92,372 at June 30, 2016, and is composed of the following:

	<u>Amount</u>
<u>General Fund:</u>	
Property Tax Receivable	\$ 14,014
Garbage Receivable	7,916
<u>Water Fund:</u>	
Accounts Receivable	35,442
<u>Sewer Fund:</u>	
Accounts Receivable	<u>35,000</u>
TOTAL	<u>\$ 92,372</u>

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2: CASH AND INVESTMENTS**

Deposits: All cash of the Town of Wise, Virginia is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400et.seq. of the Code of Virginia or covered by federal depository insurance.

Investments: Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank) the Asian Development Bank, the African Development Bank, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP)

The Town had no investments required to be categorized in accordance with standards. All funds were on deposit.

**NOTE 3: PROPERTY TAXES RECEIVABLE**

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in one installment on December 5th. The Town bills and collects its own property taxes.

**NOTE 4: DUE FROM OTHER GOVERNMENTAL UNITS**

	<u>Amount</u>	<u>Total</u>
<u>Treasurer of Wise County:</u>		
Sales Tax	\$ 30,090	
Court Fines	2,668	
Coal Road Improvement	<u>5,937</u>	
Total Treasurer of Wise County		\$ <u>38,695</u>
 <u>Commonwealth of Virginia:</u>		
Department of Transportation	32,331	
Department of Motor Vehicles	3,147	
Miscellaneous Taxes	<u>12,806</u>	
Total Commonwealth of Virginia		<u>48,284</u>
 <u>Federal Agencies:</u>		
Department of Agriculture	4,500	
Environmental Protection Agency	<u>139,478</u>	
Total Federal Agencies		<u>143,978</u>
 TOTAL DUE		\$ <u>230,957</u>

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 5: 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 and so will not be recognized as an expense or expenditure until then. The Town currently has deferred outflows totaling \$363,872 as of June 30, 2016 which is comprised of employer contributions for pension that will be recognized in a future period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has deferred inflows totaling \$568,689 as of June 30, 2016. \$19,342 of that amount includes uncollected tax billings not available for funding of current expenditures, and \$549,347 represents the difference between projected and actual earnings on plan investments for pension.

**NOTE 6: CHANGES IN GENERAL CAPITAL ASSETS**

A summary of changes in general fixed assets follows:

	<u>BEGINNING</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>ENDING</u>
Land, Non-Depreciable	\$ 1,985,892	\$ -	\$ -	\$ 1,985,892
Buildings	2,749,545	-	-	2,749,545
Infrastructure	7,957,774	367,645	-	8,325,419
Equipment	2,945,160	127,481	42,781	3,029,860
<b>TOTAL</b>	<u>\$ 15,638,371</u>	<u>\$ 495,126</u>	<u>\$ 42,781</u>	<u>16,090,716</u>
Less: Accumulated Depreciation				(6,671,390)
<b>NET</b>				<u><u>\$ 9,419,326</u></u>

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

	<u>AMOUNT</u>
General Government	\$ 3,363
Public Safety	28,295
Public Works	353,192
Parks, Recreation, and Cultural	82,820
Community Development	82,368
<b>Total Depreciation Expense</b>	<u><u>\$ 550,038</u></u>

**TOWN OF WISE, VIRGINIA**  
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**NOTE 7:      PROPRIETARY CAPITAL ASSETS**

A summary of proprietary fund property, plant and equipment at June 30, 2016 follows:

	<u>Water</u>	<u>Sewer</u>
Land	\$ 209,750	\$ 86,250
Buildings	208,523	80,736
Improvements other than Buildings	12,123,642	4,745,533
Equipment	771,177	427,794
<b>TOTAL</b>	<b>13,313,092</b>	<b>5,340,313</b>
Less: Accumulated Depreciation	(3,788,195)	(3,949,993)
<b>NET</b>	<b><u>\$ 9,524,897</u></b>	<b><u>\$ 1,390,320</u></b>

**NOTE 8:      LONG-TERM DEBT**

**Details of Long-Term Indebtedness:**

**AMOUNT  
OUTSTANDING**

**GOVERNMENTAL FUND:**

Total Compensated Absences	\$ 64,809
Total Governmental Long-term Obligation Debt	<u>\$ 64,809</u>

**ENTERPRISE FUND:**

General Obligation Bonds:

A \$2,274,000 General Obligation Water Bond was issued April 26, 2011, through Rural Development Authority at a rate of 4.25% per year.

Interest only shall be payable on August 9, 2012, and August 9, 2013.

Monthly installments of combined principal and interest in the amount of \$10,074 shall be payable beginning on September 9, 2013.

\$ 2,199,820

A \$750,000 General Obligation Water Bond was issued April 26, 2011, through Rural Development Authority at a rate of 2.50% per year.

Interest only shall be payable on August 9, 2012, and August 9, 2013.

Monthly installments of combined principal and interest in the amount of \$2,550 shall be payable beginning on September 9, 2013.

715,204

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**NOTE 8: LONG-TERM DEBT (continued)**

**Details of Long-Term Indebtedness:**

**AMOUNT  
OUTSTANDING**

**ENTERPRISE FUND:**

General Obligation Bonds:

A \$184,440 General Obligation Water and Sewer Bond was issued September 3, 2015 through Virginia Resources Authority at a rate of 2.25% per year. Semi-annual payments of combined principal and interest in the amount of \$4,294.25 shall be payable beginning on January 1, 2017. \$ 110,149

A \$663,050 General Obligation Water and Sewer Bond was issued September 3, 2015 through Virginia Resources Authority at a rate of 2.0% per year. Semi-annual payments of combined principal and interest in the amount of \$14,932.02 shall be payable beginning on April 1, 2017. 529,839

Total General Obligation Bonds 3,555,012

Total Compensated Absences 50,707

Total Enterprise Long-term obligation Debt \$ 3,605,719

**Changes in Long-Term Debt:**

The following is a summary of long-term debt transactions of the Town for the Year ended June 30, 2016:

<b>Primary Government</b>	<b>Balance 7/1/2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 6/30/2016</b>	<b>Due Within One Year</b>
<u><b>Governmental Activities:</b></u>					
N/A	\$ -	\$ -	\$ -	\$ -	\$ -
Total Governmental Activities	-	-	-	-	-
<u><b>Business-Type Activities:</b></u>					
General Obligation Bond-Series 2011A	2,226,592	-	26,772	2,199,820	27,878
General Obligation Bond-Series 2011B	727,753	-	12,549	715,204	12,866
General Obligation Bond-Series 2015A	-	529,839	-	529,839	8,302
General Obligation Bond-Series 2015B	-	110,149	-	110,149	2,219
Total Business-Type Activities	2,954,345	639,988	39,321	3,555,012	51,265
Total Primary Government	<u>\$ 2,954,345</u>	<u>\$ 639,988</u>	<u>\$ 39,321</u>	<u>\$ 3,555,012</u>	<u>\$ 51,265</u>

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**NOTE 8:     LONG-TERM DEBT (continued)**

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

Bonds and Notes Payable			
Year Ended June 30,	Principal	Interest	Total
2017	\$ 51,265	\$ 119,449	\$ 170,714
2018	63,645	126,296	189,941
2019	65,680	124,261	189,941
2020	67,787	122,154	189,941
2021	69,969	119,972	189,941
2022-2026	385,409	564,296	949,705
2027-2031	453,008	496,696	949,704
2032-2036	533,859	415,845	949,704
2037-2041	630,773	318,932	949,705
2042-2046	747,188	202,517	949,705
2047-2051	478,402	71,535	549,937
2052-2056	8,027	31	8,058
TOTALS	<u>\$ 3,555,012</u>	<u>\$ 2,681,984</u>	<u>\$ 6,236,996</u>

**TOWN OF WISE, VIRGINIA**  
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**NOTE 9:      PENSION PLAN**

Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town of Wise, Virginia's Retirement Plan and the additions to/deductions from the Town'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.

Plan Description – All full-time, salaried permanent employees of the Town are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer are paying 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 a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

<b>RETIREMENT PLAN PROVISIONS</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About Plan 1</b>  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><b>About Plan 2</b>  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><b>About the Hybrid Retirement Plan</b>  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"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> </ul>

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		<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>
<p><b>Eligible Members</b>  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><b>Hybrid Opt-In Election</b>  VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b>  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><b>Hybrid Opt-In Election</b>  Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for</p>	<p><b>Eligible Members</b>  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"> <li>• Town of Wise, Virginia employees</li> <li>• 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</li> </ul> <p><b>*Non-Eligible Members</b>  Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees</li> </ul> <p>Those employees eligible for an</p>



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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.	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.	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.
<b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. The Town 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.	<b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	<b>Retirement Contributions</b> 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.
<b>Creditable Service</b> 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 benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	<b>Creditable Service</b> Same as Plan 1	<b>Creditable Service</b> <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

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		<p>toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><b><u>Defined Contributions Component:</u></b>  Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p><b>Vesting</b>  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><b>Vesting</b>  Same as Plan 1</p>	<p><b>Vesting</b>  <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><b><u>Defined Contributions Component:</u></b>  Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p>

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		<ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b>  The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit</b>  See definition under Plan 1</p>	<p><b>Calculating the Benefit</b>  <u>Defined Benefit Component:</u>  See definition under Plan 1</p> <p><u><b>Defined Contribution component:</b></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><b>Average Final Compensation</b>  A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b>  A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b>  Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b>  <b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous</p>	<p><b>Service Retirement Multiplier</b>  <b>VRS:</b> The same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement</p>	<p><b>Service Retirement Multiplier</b>  <u><b>Defined Benefit Component:</b></u>  <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p>

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<p>duty members is 1.70%</p> <p><b>Sheriffs and regional jail superintendents:</b> Not Applicable</p> <p><b>Political Subdivision hazardous duty employees:</b> 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>multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p><b>Sheriffs and regional jail superintendents:</b> Not Applicable</p> <p><b>Political Subdivision hazardous duty employees:</b> Same as Plan 1.</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><b>Sheriffs and regional jail superintendents:</b> Not Applicable</p> <p><b>Political Subdivision hazardous duty employees:</b> Not Applicable</p>
<p><b>Normal Retirement Age</b> VRS: Age 65</p> <p><b>Political subdivision hazardous duty employees:</b> Age 60.</p>	<p><b>Normal Retirement Age</b> VRS: Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age</b> <u><b>Defined Benefit Component:</b></u> VRS: Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable</p> <p><u><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b> 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><b>Political Subdivisions hazardous duty employees:</b> Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> 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><b>Political Subdivisions hazardous duty employees:</b> Same as Plan 1</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <u><b>Defined Benefit Component:</b></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><b>Political Subdivisions hazardous duty employees:</b> Not Applicable</p> <p><u><b>Defined Contribution Component:</b></u></p>

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<p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> 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><b>Political subdivisions hazardous duty employees:</b>  50 with at least five years of creditable service</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b>  Same as Plan 1</p>	<p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> <p><b>Earliest Reduced Retirement Eligibility</b>  <b>Defined Benefit Component:</b>  <b>VRS:</b> Age Members may retire with a reduced benefit is as early as age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b>  Not Applicable</p> <p><b>Defined Contribution Component:</b>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  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><b>Eligibility:</b>  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</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  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><b>Eligibility:</b>  Same as Plan 1</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  <b>Defined Benefit Component:</b>  Same as Plan 2</p> <p><b>Defined Contribution Component:</b>  Not applicable</p> <p><b>Eligibility:</b>  Same as Plan 1 and Plan 2</p>

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date.		
<p><b><u>Exceptions to COLA Effective Dates:</u></b>  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"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p><b><u>Exceptions to COLA Effective Dates:</u></b>  Same as Plan 1</p>	<p><b><u>Exceptions to COLA Effective Dates:</u></b>  Same as Plan 1 and Plan 2</p>
<p><b>Disability Coverage</b>  Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service,</p>	<p><b>Disability Coverage</b>  Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all</p>	<p><b>Disability Coverage</b>  Employees of political subdivisions (Including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their</p>

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<p>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>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>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><b>Purchase of Prior Service</b>  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><b>Purchase of Prior Service</b>  Same as Plan 1</p>	<p><b>Purchase of Prior Service</b>  <b><u>Defined Benefit Component:</u></b>  Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• 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.</li> </ul> <p><b><u>Defined Contribution Component:</u></b>  Not applicable</p>

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**NOTE 9: PENSION PLAN (continued)**

Employees Covered by Benefit Terms – As of June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	18
Inactive Members:	
Vested Inactive Members	5
Non-vested Inactive Members	7
Active Elsewhere in VRS	<u>15</u>
Total Inactive Members	27
Active Members	<u>49</u>
Total Covered Employees	94

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 the Town 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. For the year ended June 30, 2015 the Town paid 0% of the member contribution.

The Town's contractually required contribution rate for the year ended June 30, 2016 was 9.30% 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 the employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$193,770 and \$192,679 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability – The Town's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.



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**NOTE 9:      PENSION PLAN (continued)**

Actuarial Assumptions – General Employees – The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

\*Administrative expenses as a percent of market value of assets for the last experience study we 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 were set back 2 years.

**Post-Retirement:**

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

**Post-Disablement:**

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

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9:      PENSION PLAN (continued)**

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

Largest 10 – Non-LEOS:

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

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

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

Actuarial Assumptions – Public Safety Employees – The total pension liability for Public Safety Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

\*Administrative expenses as a percent of market value of assets for the last experience study we 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: 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 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.

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9:      PENSION PLAN (continued)**

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 – Non-LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-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

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:

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9: PENSION PLAN (continued)**

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

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

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 rate equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Town's 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.

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9: PENSION PLAN (continued)**

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2014	\$9,457,902	\$8,910,768	\$547,134
Changes for the year:			
Service Cost	223,237		223,237
Interest	654,198		654,198
Differences between expected and actual experience	(178,761)		(178,761)
Contributions – Employer		192,583	(192,583)
Contributions – Employee		103,496	(103,496)
Net Investment Income		413,438	(413,438)
Benefit payments, including refunds of employee contributions	(224,440)	(224,440)	0
Administrative Expenses		(5,508)	5,508
Other Changes	0	(88)	88
Net Changes	474,234	479,481	(5,247)
Balances at June 30, 2015	\$9,932,136	\$9,390,249	\$541,887

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Town using the discount rate of 7.00% as well as what the political subdivision's 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.

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
Town of Wise, Virginia's Net Pension Liability	\$1,976,131	\$541,887	\$(641,013)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended June 30, 2016, the Town recognized pension expense of \$21,098. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9: PENSION PLAN (continued)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 140,235
Changes in assumptions	-	-
Net differences between projected and actual earnings on plan investments	-	239,010
Employer contributions subsequent to the measurement date	<u>193,770</u>	<u>-</u>
Total	<u>\$ 193,770</u>	<u>\$ 379,245</u>

Deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date in the amount of \$193,770 will be recognized as a reduction of the Net Pension Liability in the 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 as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2017	\$ (132,371)
2018	(132,371)
2019	(132,370)
2020	<u>17,867</u>
Total	<u>\$ 379,245</u>

**NOTE 10: CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES**

In accordance with NCGA Statement 4 "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences", the Town has accrued the liability arising from outstanding claims and judgments and compensated absences. Town employees earn sick leave at the rate of one day per month and vacation time is accrued based on length of service. No benefits or pay are received for unused sick leave upon termination. Accumulated vacation, up to the specified maximum, is paid upon termination. The Town has outstanding accrued vacation pay totaling \$64,809 in the General Long-Term Obligation Account Group, \$31,136 in the Water Fund, and \$19,571 in the Sewer Fund, with \$6,481; \$3,114; and \$1,957 respectively, expected to be paid within one year.

**NOTE 11: LITIGATION**

According to the Town's Legal Counsel, there are no outstanding claims concerning the Town of Wise, Virginia.

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 12: SURETY BONDS**

Position Fidelity Schedule Bond:

	<u>Amount</u>
Mayor	\$ 200,000
Treasurer	200,000
Town Manager	200,000
Assistant Treasurer	200,000
Utility Clerk	200,000
Cashier	200,000

**NOTE 13: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Interest Paid-Proprietary Fund – Cash paid interest expense relating to debt for the year ended June 30, 2016 amounted to \$112,617.

The Town considers all short-term investments with an original maturity date of three months or less to be cash equivalents.

**NOTE 14: GASB 54 FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS**

**Purpose**

The Town Council of the Town of Wise is dedicated to maintaining an appropriate level of fund balance sufficient to mitigate current and future financial risks and to ensure stable tax rates; and, therefore, formally establishes this policy for the Town's Fund Balance. This policy also authorizes and directs the Treasurer to prepare financial reports which accurately categorize fund balance as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

**Components of Fund Balance**

Fund balance is the difference between the assets and liabilities reported in a governmental fund. The following five fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

- Non-spendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 14: GASB 54 FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS (continued)**

- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority; for all funds except the general fund, assigned fund balance is the residual fund balance classification;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

**Committed Fund Balance Policy**

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

**Assigned Fund Balance Policy**

The Town Manager in consultation with the Town Treasurer and discussions with the Town Council shall determine funds to be classified as assigned.

**Minimum Unassigned Fund Balance Policy**

The Town will maintain an unassigned fund balance in the general fund equal to an amount established by the Town Council for expenditures/operating revenues. The Town considers a balance of less than the amount established by the Town Council to be cause for concern, barring unusual or deliberate circumstances. The balance of "unassigned funds" shall be at least equal to 10% of the General Fund's Total Revenues measured during the budget process as Total General Fund Revenue net of any appropriation from prior year fund balance. Except in extraordinary circumstances, Unassigned Fund Balance should not be used to fund any portion of the ongoing and routine year-to-year operating expenditures of the Town. It should be used primarily to ensure adequate reserves, to respond to unforeseen emergencies, to provide cash flow, and to provide overall financial stability.

**Resource Flow Policy**

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



**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 15:     OTHER POST-EMPLOYMENT BENEFITS**

**PLAN DESCRIPTION**

Name of Plan: Town of Wise Plan  
Identification of Plan: Sole-employer  
Administering Entity: Town of Wise, Virginia

**Health Plan Eligibility**

Participants in the Town of Wise Plan must meet the eligibility requirements based on service earned with the Town to be eligible to receive benefits upon retirement. Participants who do not retire directly from active service are not eligible for the benefit.

- General Town-Participants must have attained age 50 with a minimum of 30 years of service including 20 years of continuous service with the Town.
- Public Safety Officers-Participants must have attained age 50 with a minimum of 25 years of service including 20 years of continuous service with the Town.

Health benefits include medical, dental, and vision. Retirees may elect the Key Advantage Expanded or Key Advantage 250 medical option. Benefits end at age 65.

**A. Health Plan Benefits**

Coverage is for the retiree and eligible spouses/dependents. Monthly premiums include dental and vision coverage

**B. Retiree and Employer Contributions**

- Non-Medicare eligible retirees and spouses (Under Age 65)-The Town contributes 100% of the retiree only premiums for a maximum of 18 months following retirement or until the retiree reaches age 65, whichever is earlier. After the 18-month period following retirement, retiree contributes 100% of the premium cost for retiree coverage. The retiree must contribute 100% of the premium cost for spouse/dependent coverage at all times.
- Medicare eligible retirees and spouses (Age 65+) – No Coverage.

**C. Disability Retirement Benefit**

The Plan does not include any disability retirement benefits.

**D. Death Benefit**

The Plan does not include any pre-retirement death benefits. If a participant dies while employed and was eligible for benefits, the surviving spouse or family member would not be able to continue health coverage, except as provided by COBRA.

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 15: OTHER POST-EMPLOYMENT BENEFITS (continued)**

**E. Withdrawal Benefit**

The Plan does not include a withdrawal benefit.

**F. Benefit Service**

Benefit service is credited from the date of hire with the Town of Wise.

**ANNUAL COST**

<u>SCHEDULE OF EMPLOYER CONTRIBUTIONS</u>			
<u>FISCAL YEAR</u> <u>ENDING 6/30</u>	<u>ANNUAL</u> <u>OPEB COST</u>	<u>ACTUAL</u> <u>CONTRIBUTION</u>	<u>PERCENT</u> <u>FUNDED</u>
2012	\$ 26,427	\$ 8,330	31.52%
2013	27,802	6,180	22.23%
2014	29,379	1,050	3.57%
2015	30,804	3,871	12.57%
2016	31,687	6,281	19.82%

The FY 2016 required contribution was determined as part of the January 1, 2015 actuarial valuation using the Projected Unit Credit actuarial cost method. The actuarial assumptions at January 1, 2015 included an investment rate of return of 3.5%, and a projected salary increase of 3.00% per year. The annual required contribution (ARC) was calculated as the normal cost plus the 30-year amortization of any unfunded portion of actuarial accrued liability. The actuarial accrued liability is the portion of the total present value of benefits that is attributable to service up to the date of the valuation. The amount of the actuarial accrued liability in excess of the Plan's assets is the unfunded actuarial accrued liability (UAAL) which is amortized over a period not to exceed 30 years. The Town has selected an open amortization method and an amortization period of 30 years. The amortization amount was determined as a level percent of payroll. The Medical Cost Trend Assumption was based on the Getzen Trend Model – 5.2% graded to 4.50% over 66 years. The Schedule of Funding Progress, and the Calculation of Net OPEB Obligation (NOO) are located in Schedule 9 after the notes to the financial statements.

**NOTE 16: CHANGE IN ACCOUNTING PRINCIPLE**

**Accounting Changes**

The Town of Wise separated its Enterprise Fund into two separate funds, Water Fund and Sewer Fund, as required by funding agencies for the purpose of analyzing viability of each business-type activity.

## **SCHEDULES OF CAPITAL ASSETS**

**TOWN OF WISE, VIRGINIA**  
**SCHEDULE OF CAPITAL ASSETS BY SOURCE**  
**June 30, 2016**

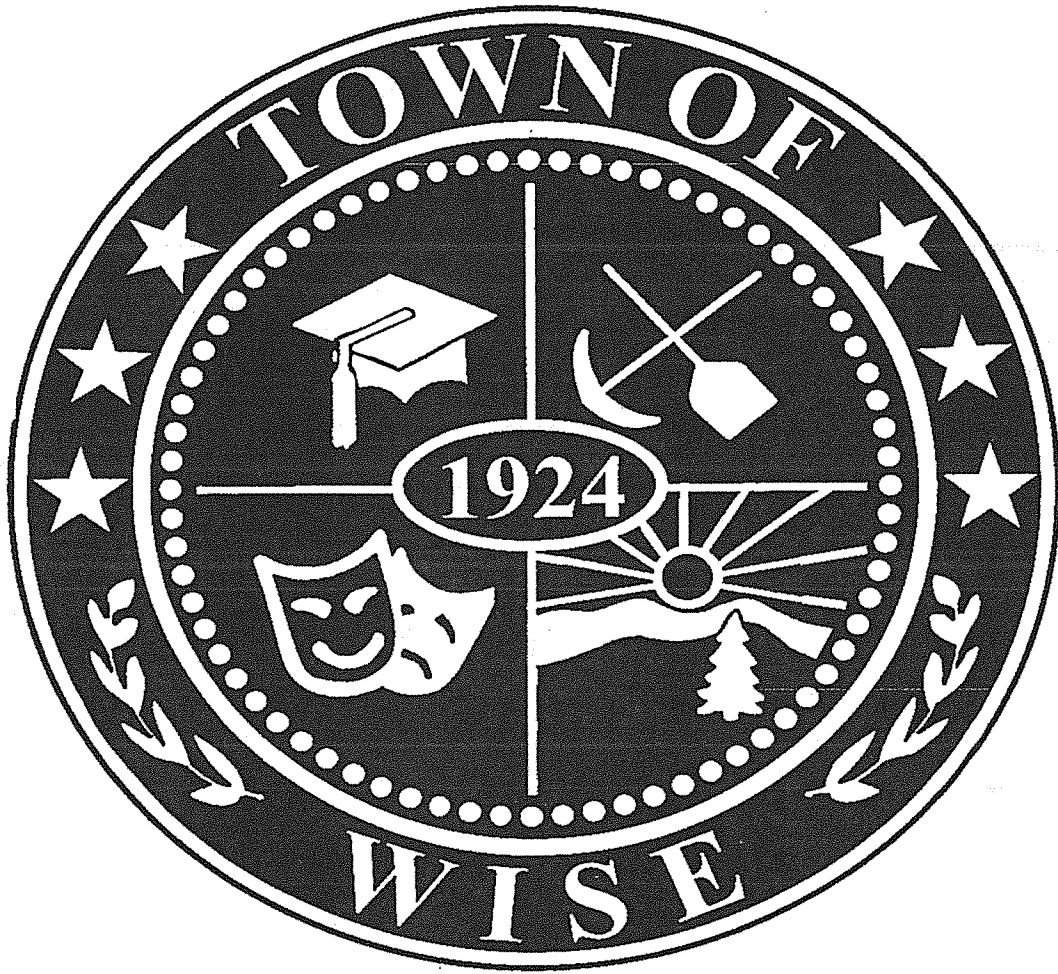
**EXHIBIT 9**

	<u>TOTAL</u>
<b>CAPITAL ASSETS</b>	
Land	\$ 2,281,892
Building and Building Improvements	3,038,804
Infrastructure	25,194,594
Equipment	4,228,831
Total Capital Assets	<u>\$ 34,744,121</u>
 <b>INVESTMENT IN CAPITAL ASSETS BY SOURCE</b>	
Enterprise Fund Revenues	\$ 15,098,393
Enterprise Fund Indebtedness	3,555,012
General Fund Revenues	16,090,716
General Fund Indebtedness	<u>-</u>
Total Investment in Capital Assets	<u>\$ 34,744,121</u>

**TOWN OF WISE, VIRGINIA**  
**SCHEDULE OF CAPITAL ASSETS BY FUNCTION**  
**June 30, 2016**

**EXHIBIT 10**

	<u>LAND</u>	<u>BUILDING and BUILDING IMPROVEMENTS</u>	<u>INFRA- STRUCTURE</u>	<u>EQUIPMENT</u>	<u>TOTAL</u>
<b>PRIMARY GOVERNMENT</b>					
<b>Governmental:</b>					
General Government Adm	\$ 1,985,892	\$ 1,661,508	\$ -	\$ 58,538	\$ 3,705,938
Judicial Administration	-	-	-	-	-
Public Safety	-	911,457	-	1,504,785	2,416,242
Public Works	-	169,503	4,582,347	1,345,263	6,097,113
Health & Welfare	-	-	-	-	-
Education	-	-	-	-	-
Parks, Recreation and Cultural	-	7,077	1,881,222	89,301	1,977,600
Community Development	-	-	1,861,850	31,973	1,893,823
Total Governmental	<u>1,985,892</u>	<u>2,749,545</u>	<u>8,325,419</u>	<u>3,029,860</u>	<u>16,090,716</u>
<b>Business-Type:</b>					
Water	209,750	208,522	12,123,642	771,178	13,313,092
Sewer	<u>86,250</u>	<u>80,736</u>	<u>4,745,533</u>	<u>427,794</u>	<u>5,340,313</u>
Total Business-Type	<u>296,000</u>	<u>289,258</u>	<u>16,869,175</u>	<u>1,198,972</u>	<u>18,653,405</u>
<b>TOTAL CAPITAL ASSETS</b>	<u><b>\$ 2,281,892</b></u>	<u><b>\$ 3,038,803</b></u>	<u><b>\$ 25,194,594</b></u>	<u><b>\$ 4,228,832</b></u>	<u><b>\$ 34,744,121</b></u>
<b>BY FUNCTION</b>					
<b>(excluding depreciation)</b>					



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**SUPPLEMENTARY SCHEDULES**

**GOVERNMENTAL FUND**  
**STATEMENT OF REVENUES - BUDGET & ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Page 1

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund:				
Revenue From Local Sources:				
General Property Taxes:				
Real Property Taxes	\$ 565,000	\$ 565,000	\$ 624,575	\$ 59,575
Real and Personal Public Service				
Corporation Property Taxes	13,000	13,000	19,491	6,491
Personal Property Taxes	127,200	127,200	139,503	12,303
Penalties and Interest	9,000	9,000	24,891	15,891
PROPERTY TAXES	714,200	714,200	808,460	94,260
Other Local Taxes:				
Local Sales and Use Taxes	98,000	98,000	127,982	29,982
Consumer Utility Taxes	70,000	70,000	83,122	13,122
Consumption Tax	10,000	10,000	14,058	4,058
Business License Taxes	377,770	377,770	386,551	8,781
Franchise License Taxes	4,800	4,800	4,904	104
Motor Vehicle Licenses	-	-	-	-
Bank Stock Taxes	130,000	130,000	183,199	53,199
Transient Lodging Taxes	67,000	67,000	87,162	20,162
Coal Road Improvement Taxes	30,000	30,000	31,291	1,291
Cigarette Tax	64,000	64,000	64,822	822
Meal Tax	1,100,000	1,100,000	1,199,711	99,711
	1,951,570	1,951,570	2,182,802	231,232
Permits, Privilege Fees and				
Regulatory Licenses:				
Animal License	-	-	-	-
Permits	100	100	525	425
REGULATORY LICENSES	100	100	525	425
Fines and Forfeitures	10,100	10,100	19,889	9,789
Revenue From Use of Money and Property:				
Interest and Rent Revenue	12,000	12,000	39,773	27,773
TOTAL REVENUE FROM USE OF MONEY AND PROPERTY	12,000	12,000	39,773	27,773

The accompanying notes are an integral part of the financial statements.



**GOVERNMENTAL FUND**  
**STATEMENT OF REVENUES - BUDGET & ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Page 2

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund: (continued)				
Charges For Services:				
Charges For Parks and Recreation	\$ 57,300	\$ 57,300	\$ 68,862	\$ 11,562
Charges For Sanitation and Waste Removal	295,200	295,200	263,834	(31,366)
TOTAL CHARGES FOR SERVICES	<u>352,500</u>	<u>352,500</u>	<u>332,696</u>	<u>(19,804)</u>
Miscellaneous Revenue:				
Sale of Cemetery Plots	3,500	3,500	1,950	(1,550)
Sale of Property	100	100	-	(100)
County of Wise-Payment in Lieu of Taxes	-	-	-	-
Coal Severance Committee Appropriation	38,000	38,000	28,348	(9,652)
Miscellaneous	4,670	4,670	30,880	26,210
TOTAL MISCELLANEOUS REVENUE	<u>46,270</u>	<u>46,270</u>	<u>61,178</u>	<u>14,908</u>
TOTAL REVENUE FROM LOCAL SOURCES	<u>3,086,740</u>	<u>3,086,740</u>	<u>3,445,323</u>	<u>358,583</u>
Revenue From The Commonwealth:				
Non-Categorical Aid:				
Mobile Home Titling Tax	8,000	8,000	14,229	6,229
Rolling Stock Tax	10	10	-	(10)
Car Rental Tax	150	150	1,779	1,629
Financial Assistance To Police Dept.	76,000	76,000	76,980	980
PPTRA Tax Relief	57,000	57,000	57,392	392
Communications Sales and Use Tax	100,000	100,000	104,429	4,429
TOTAL NON-CATEGORICAL AID	<u>241,160</u>	<u>241,160</u>	<u>254,809</u>	<u>13,649</u>
Categorical Aid:				
Other Categorical Aid:				
Street & Highway Maintenance	514,000	514,000	535,414	21,414
Litter Grant	1,800	1,800	1,937	137
Fire Programs	10,000	10,000	10,414	414
Virginia Commission of Arts	4,000	4,000	4,000	-
Byrnes Justice Grants	-	-	-	-
VDOT Enhancement Grant	32,640	32,640	-	(32,640)
VDOT Revenue Sharing	168,820	168,820	107,558	(61,262)
VDEM Disaster Assistance	-	-	-	-
DMV Highway Safety Grant	-	-	-	-
TOTAL CATEGORICAL AID	<u>731,260</u>	<u>731,260</u>	<u>659,323</u>	<u>(71,937)</u>
TOTAL REVENUE FROM THE COMMONWEALTH	<u>972,420</u>	<u>972,420</u>	<u>914,132</u>	<u>(58,288)</u>

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF REVENUES - BUDGET & ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016**

<u>FUND, MAJOR &amp; MINOR REVENUE SOURCE</u>	<u>ORIGINAL BUDGET</u>	<u>BUDGET AS AMENDED</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
General Fund: (continued)				
Revenue From The Federal Government:				
Categorical Aid:				
Byrnes Justice Grants	\$ 2,040	\$ 2,040	\$ 2,341	\$ 301
DMV Highway Safety Grant	1,000	1,000	-	(1,000)
Dept. of Transportation Enhancement Grant	450,000	450,000	-	(450,000)
Selective Enforcement Grant	13,000	13,000	11,656	(1,344)
RD-CF Grant Police Car	4,800	4,800	4,500	(300)
TOTAL CATEGORICAL AID	<u>470,840</u>	<u>470,840</u>	<u>18,497</u>	<u>(452,343)</u>
TOTAL REVENUE FROM THE FEDERAL GOVT.	<u>470,840</u>	<u>470,840</u>	<u>18,497</u>	<u>(452,343)</u>
Suppl. Approp. From Prior Year Fund Bal.	526,665	526,665	-	(526,665)
TOTAL GENERAL FUND	<u>\$ 5,056,665</u>	<u>\$ 5,056,665</u>	<u>\$ 4,377,952</u>	<u>\$ (678,713)</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF WISE, VIRGINIA  
GOVERNMENTAL FUND  
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016**

**SCHEDULE 2  
Page 1**

<u>FUND, MAJOR &amp; MINOR EXPENDITURE SOURCE</u>	<u>ORIGINAL BUDGET</u>	<u>BUDGET AS AMENDED</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
General Government Administration:				
Legislative:				
Town Council	\$ 44,940	\$ 44,940	\$ 43,697	\$ 1,243
TOTAL LEGISLATIVE	44,940	44,940	43,697	1,243
General and Financial Administration:				
Employee Benefits	73,950	73,950	16,573	57,377
Manager	103,720	103,720	97,119	6,601
Professional Services	35,530	35,530	24,946	10,584
Treasurer	196,280	196,280	143,776	52,504
Risk Management	105,110	105,110	95,504	9,606
Data Processing	55,265	55,265	53,796	1,469
TOTAL GENERAL AND FINANCIAL ADMINISTRATION	569,855	569,855	431,714	138,141
TOTAL GENERAL GOVERNMENT ADMINISTRATION	614,795	614,795	475,411	139,384
Public Safety:				
Law Enforcement and Traffic Control:				
Police Department	1,116,600	1,116,600	967,884	148,716
TOTAL LAW ENFORCEMENT AND TRAFFIC CONTROL	1,116,600	1,116,600	967,884	148,716
Fire and Rescue Services:				
Volunteer Fire Department	140,130	140,130	120,121	20,009
Ambulance and Rescue Service	15,000	15,000	15,000	-
TOTAL FIRE AND RESCUE SERVICES	155,130	155,130	135,121	20,009
Correction and Detention:				
Court Expense	1,000	1,000	-	1,000
TOTAL COURT EXPENSE	1,000	1,000	-	1,000

The accompanying notes are an integral part of the financial statements.

**TOWN OF WISE, VIRGINIA  
GOVERNMENTAL FUND  
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016**

**SCHEDULE 2  
Page 2**

FUND, MAJOR & MINOR EXPENDITURE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Public Safety: (continued)				
Animal Control:				
Animal Control	\$ -	\$ -	\$ -	\$ -
TOTAL ANIMAL CONTROL	-	-	-	-
TOTAL PUBLIC SAFETY	1,272,730	1,272,730	1,103,005	169,725
Public Works:				
Maintenance of Highways, Streets, Bridges, and Sidewalks:				
General Administration	42,710	42,710	32,789	9,921
Storm Drainage	6,000	6,000	3,125	2,875
Street Maintenance	1,838,400	1,838,400	874,135	964,265
Street Lights	61,000	61,000	57,828	3,172
Snow and Ice Removal	100,225	100,225	55,740	44,485
TOTAL MAINTENANCE OF HIGHWAYS, STREETS, BRIDGES, AND SIDEWALKS	2,048,335	2,048,335	1,023,617	1,024,718
Sanitation and Waste Removal:				
General Engineering/Administration:				
Solid Waste Removal	293,310	293,310	247,203	46,107
TOTAL SANITATION AND WASTE REMOVAL	293,310	293,310	247,203	46,107
Maintenance of General Buildings and Grounds:				
General Engineering/Administration:				
General Properties	95,500	95,500	45,804	49,696
TOTAL MAINTENANCE OF GENERAL BUILDINGS AND GROUNDS	95,500	95,500	45,804	49,696
TOTAL PUBLIC WORKS	2,437,145	2,437,145	1,316,624	1,120,521
Health and Welfare:				
Welfare Social Service:				
Property Tax Relief for Elderly	8,000	8,000	19,182	(11,182)
TOTAL HEALTH AND WELFARE	8,000	8,000	19,182	(11,182)

The accompanying notes are an integral part of the financial statements.

**TOWN OF WISE, VIRGINIA  
GOVERNMENTAL FUND  
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016**

**SCHEDULE 2  
Page 3**

FUND, MAJOR & MINOR EXPENDITURE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>Parks, Recreation and Cultural:</b>				
<b>Parks and Recreation:</b>				
Parks and Play Grounds	\$ 61,750	\$ 61,750	\$ 39,890	\$ 21,860
Swimming Pool	164,800	164,800	86,342	78,458
Cemeteries	-	-	-	-
<b>TOTAL PARKS AND RECREATION</b>	<u>226,550</u>	<u>226,550</u>	<u>126,232</u>	<u>100,318</u>
<b>Cultural Enrichment:</b>				
Pro Art Association	8,000	8,000	8,000	-
Library Art Gallery	-	-	-	-
Friends of South West Virginia	1,000	1,000	1,000	-
Regional Library	9,000	9,000	9,000	-
Planning	31,500	31,500	27,398	4,102
<b>TOTAL CULTURAL ENRICHMENT</b>	<u>49,500</u>	<u>49,500</u>	<u>45,398</u>	<u>4,102</u>
<b>TOTAL PARKS, RECREATION,             AND CULTURAL</b>	<u>276,050</u>	<u>276,050</u>	<u>171,630</u>	<u>104,420</u>
<b>Community Development:</b>				
<b>Planning and Community Development:</b>				
Planning	104,690	104,690	102,186	2,504
Cumberland Airport Commission	3,000	3,000	3,000	-
WBA-Fall Fling	5,000	5,000	5,000	-
Miscellaneous	1,250	1,250	-	1,250
<b>TOTAL COMMUNITY DEVELOPMENT</b>	<u>113,940</u>	<u>113,940</u>	<u>110,186</u>	<u>3,754</u>
<b>Debt Service:</b>				
Principal Curtailments	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
<b>TOTAL DEBT SERVICE</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfer to Water/Sewer Fund	284,005	284,005	-	284,005
Reserve for Contingencies	50,000	50,000	-	50,000
<b>TOTAL GENERAL FUND</b>	<u>\$ 5,056,665</u>	<u>\$ 5,056,665</u>	<u>\$ 3,196,038</u>	<u>\$ 1,860,627</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF WISE, VIRGINIA  
GENERAL GOVERNMENT REVENUES BY SOURCE  
LAST TEN FISCAL YEARS

SCHEDULE 3

FISCAL YEAR	GENERAL PROPERTY TAXES	OTHER LOCAL TAXES	FINES AND FORFEITURES	PERMITS, PRIVILEGE		CHARGES FOR SERVICES	MISCELLANEOUS	REVENUE			TOTAL
				FEES & REGULATORY LICENSES	FROM USE OF MONEY AND PROPERTY			INTER- GOVERN- MENTAL			
2016	\$ 808,460	\$ 2,182,802	\$ 19,889	\$ 525	\$ 332,696	\$ 61,178	\$ 39,773	\$ 932,629	\$ 4,377,952		
2015	659,443	2,042,875	17,340	547	363,970	80,249	27,567	1,273,487	4,465,478		
2014	637,575	1,989,857	15,097	475	357,512	80,002	25,269	753,219	3,859,006		
2013	637,442	2,196,320	17,386	1,562	283,810	188,027	23,813	919,813	4,268,173		
2012	638,392	1,965,533	16,637	1,674	292,545	141,993	29,979	1,107,713	4,194,466		
2011	612,985	2,103,473	17,586	2,304	296,925	214,324	50,296	1,466,638	4,764,531		
2010	593,612	2,120,307	19,207	1,289	290,139	152,901	72,512	769,721	4,019,688		
2009	545,798	2,047,941	25,528	2,344	252,195	114,685	113,235	618,075	3,719,801		
2008	533,967	1,958,075	32,215	1,548	257,055	93,129	206,913	645,909	3,728,811		
2007	513,447	1,926,114	34,213	914	251,487	65,825	232,318	616,262	3,640,580		

SCHEDULE 4

TOWN OF WISE, VIRGINIA  
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION  
LAST TEN FISCAL YEARS

FISCAL YEAR	GENERAL ADMINI- STRATION	PARKS,					HEALTH AND WELFARE	COMMUNITY DEVELOP- MENT	NON DEPART- MENTAL	DEBT SERVICE	TOTAL
		PUBLIC SAFETY	PUBLIC WORKS	RECREATION AND CULTURAL							
2016	\$ 475,411	\$ 1,103,005	\$ 1,316,624	\$ 171,630	\$ 19,182	\$ 110,186	\$ -	\$ -	\$ -	\$ -	3,196,038
2015	451,939	1,071,881	1,747,530	161,155	2,221	104,539	489,804	-	-	-	4,029,069
2014	481,195	1,118,698	1,193,519	120,040	4,939	135,093	320,800	66,745	66,745	66,745	3,441,029
2013	518,891	1,174,226	1,289,243	156,531	5,678	131,408	-	66,745	66,745	66,745	3,342,722
2012	490,230	1,592,775	1,326,770	213,748	9,920	354,995	-	66,745	66,745	66,745	4,055,183
2011	481,126	1,216,251	1,353,447	186,666	6,398	1,447,764	-	66,745	66,745	66,745	4,758,397
2010	460,570	1,173,552	1,436,894	236,987	7,881	236,029	-	66,745	66,745	66,745	3,618,658
2009	424,020	1,182,865	1,680,823	259,604	6,230	264,672	-	66,745	66,745	66,745	3,884,959
2008	406,137	1,176,522	1,475,337	182,841	7,339	265,433	-	66,712	66,712	66,712	3,580,321
2007	420,161	1,106,967	1,360,055	173,650	6,864	90,225	-	66,703	66,703	66,703	3,224,625

**TOWN OF WISE, VIRGINIA**  
**ASSESSED VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**

**SCHEDULE 5**

FISCAL YEARS	REAL ESTATE	PERSONAL PROPERTY	MOBILE HOMES	PUBLIC UTILITY	TOTAL
2016	\$ 208,334,290	\$ 29,301,732	\$ 3,853,631	\$ 6,497,010	247,986,663
2015	202,017,551	36,203,962	1,756,226	5,915,448	245,893,188
2014	202,083,590	31,598,169	4,830,910	6,001,305	244,513,974
2013	200,577,948	32,019,501	4,356,590	5,711,257	242,665,296
2012	199,270,789	34,311,994	1,940,981	3,977,500	239,501,264
2011	196,135,891	30,363,988	4,106,290	4,603,246	235,209,415
2010	194,439,215	29,851,736	4,050,805	4,884,009	233,225,765
2009	160,596,939	32,721,952	4,319,930	3,098,502	200,737,323
2008	159,834,215	30,233,687	3,869,023	4,739,996	198,676,921
2007	156,553,081	30,622,337	3,988,457	4,595,882	195,759,757

**PROPERTY TAX RATES**  
**LAST TEN YEARS**

FISCAL YEARS	REAL ESTATE	PERSONAL PROPERTY	MOBILE HOMES	PUBLIC UTILITY
2016	0.300	0.630	0.300	Various
2015	0.300	0.630	0.300	Various
2014	0.245	0.630	0.245	Various
2013	0.245	0.530	0.245	Various
2012	0.245	0.530	0.245	Various
2011	0.245	0.530	0.245	Various
2010	0.245	0.530	0.245	Various
2009	0.245	0.530	0.245	Various
2008	0.245	0.530	0.245	Various
2007	0.245	0.530	0.245	Various



SCHEDULE 6

TOWN OF WISE, VIRGINIA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

FISCAL YEAR	TOTAL (1) TAX LEVY	CURRENT TAX (1) COLLECTIONS	PERCENT OF LEVY COLLECTED	DELINQUENT (1) TAX (2) COLLECTIONS	TOTAL TAX COLLECTIONS	PERCENT OF TOTAL TAX COLLECTIONS OF TAX LEVY	OUTSTANDING (1) DELINQUENT TAXES	PERCENT OF DELINQUENT TAXES TO TAX LEVY
2016	\$ 785,626	\$ 752,350	95.76%	\$ 33,246	785,596	100.00%	\$ 42,974	5.47%
2015	696,132	610,699	87.73%	35,436	646,135	92.82%	23,526	3.38%
2014	681,582	601,143	88.20%	13,389	614,532	90.16%	39,594	5.81%
2013	612,258	604,307	98.70%	13,936	618,243	100.98%	43,702	7.14%
2012	664,052	600,317	90.40%	21,834	622,151	93.69%	44,850	6.75%
2011	658,603	576,569	87.54%	20,140	596,709	90.60%	44,189	6.71%
2010	670,880	634,711	94.61%	8,757	643,468	95.91%	29,712	4.43%
2009	576,329	565,569	98.13%	10,760	589,694	102.32%	25,506	4.43%
2008	574,232	558,855	97.32%	13,163	578,732	100.78%	41,160	7.17%
2007	558,498	548,144	98.15%	12,556	560,700	100.39%	38,927	6.97%

Notes:

- (1) Exclusive of penalties and interest.  
(2) Does not include land redemptions.

SCHEDULE 7

TOWN OF WISE, VIRGINIA  
RATIO OF NET GENERAL BONDED DEBT  
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS

FISCAL YEAR	POPULATION (1)	ASSESSED VALUE (IN THOUSANDS)	GROSS BONDED DEBT (2)	LESS:			RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
				DEBT SERVICE MONIES AVAILABLE	DEBT PAYABLE FROM ENTERPRISE REVENUES	NET BONDED DEBT		
2016	3,286	\$ 247,987	\$ 3,555,012	-	\$ 3,555,012	\$ -	-	\$ -
2015	3,286	245,893	2,954,345	-	2,954,345	-	-	-
2014	3,286	244,514	2,992,243	-	2,992,243	-	-	-
2013	3,286	242,665	3,083,616	-	3,018,828	64,788	0.0003	19.72
2012	3,286	239,501	2,278,457	-	2,150,963	127,494	0.0005	38.80
2011	3,255	235,209	204,547	-	16,273	188,274	0.0008	57.84
2010	3,255	233,226	279,232	-	32,046	247,186	0.0011	75.94
2009	3,255	200,737	351,622	-	47,335	304,287	0.0015	93.48
2008	3,255	198,676	421,789	-	62,154	359,635	0.0018	110.49
2007	3,255	195,760	489,798	-	76,517	413,281	0.0021	126.97

Notes:

(1) Bureau of Census.

(2) Includes all long-term general obligation debt.

**TOWN OF WISE, VIRGINIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**TOWN OF WISE PLAN**  
**OTHER POST EMPLOYMENT BENEFITS-GASB 45**  
**JUNE 30, 2016**

**A. SCHEDULE OF FUNDING PROGRESS**

VALUATION DATE	ACTUARIAL VALUE OF ASSETS (AVA)	ACTUARIAL ACCURUED LIABILITY (AAL)	UNFUNDED ACTUARIAL		FUNDING RATIO (2)/(3)	ANNUAL COVERED PAYROLL	UAAAL AS % OF PAYROLL (4)/(6)
			ACCURUED LIABILITY (UAAAL)	LIABILITY (3) - (2)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
January 1, 2009	\$0	\$176,800	\$176,800		0.00%	\$1,893,800	9.34%
January 1, 2012	\$0	\$269,400	\$269,400		0.00%	\$2,036,700	13.23%
January 1, 2015	\$0	\$358,900	\$358,900		0.00%	\$2,075,000	17.30%

**B. SCHEDULE OF EMPLOYER CONTRIBUTIONS**

FISCAL YEAR ENDING 6/30	ANNUAL OPEB COST	ACTUAL CONTRIBUTION	PERCENT	
			ACTUAL	FUNDING
2009	\$ 18,200	\$ -		0.00%
2010	\$ 19,175	\$ 11,050		57.63%
2011	\$ 19,908	\$ 15,282		76.76%
2012	\$ 26,427	\$ 8,330		31.52%
2013	\$ 27,802	\$ 6,180		22.23%
2014	\$ 29,379	\$ 1,050		3.57%
2015	\$ 30,804	\$ 3,871		12.57%
2016	\$ 31,687	\$ 6,281		19.82%

**C. CALCULATION OF NET OPEB OBLIGATION (NOO)**

FISCAL YEAR ENDING	ANNUAL REQUIRED CONTRIBUTION	INTEREST ON OPEB OBLIGATION	ADJUSTMENT TO THE ARC	NET OPEB COST	ACTUAL CONTRIBUTION	CHANGE IN		NET OPEB OBLIGATION AT END OF FY
						NET OPEB OBLIGATION	NET OPEB OBLIGATION	
6/30/2010	19,100	728	(653)	19,175	11,050	8,125	26,325	26,325
6/30/2011	19,800	1,053	(945)	19,908	15,282	4,626	30,951	30,951
6/30/2012	26,300	1,238	(1,111)	26,427	8,330	18,097	49,048	49,048
6/30/2013	27,600	1,962	(1,760)	27,802	6,180	21,622	70,670	70,670
6/30/2014	29,100	2,714	(2,435)	29,379	1,050	28,329	98,999	98,999
6/30/2015	31,000	3,465	(3,661)	30,804	3,871	26,933	125,932	125,932
6/30/2016	31,900	3,784	(3,997)	31,687	6,281	25,406	151,338	151,338

**TOWN OF WISE, VIRGINIA  
SCHEDULE OF LEGAL DEBT MARGIN  
FOR THE YEAR ENDED JUNE 30, 2016**

**SCHEDULE 9**

	<u>AMOUNT</u>
Legal Debt Limit	
10% of Assessed Value Of Taxable Real Estate (Including Public Utility Real Estate) (\$214,831,300 x .10)	\$ 21,483,130
Deduct	
Bonds Payable	<u>(3,555,012)</u>
Legal Margin For Creation Of Additional Debt	<u><u>\$ 17,928,118</u></u>

**TOWN OF WISE, VIRGINIA**  
**SCHEDULE OF FUND BALANCES - GASB 54**  
**JUNE 30, 2016**

**SCHEDULE 10**

	<u><b>AMOUNT</b></u>
General Fund Balances:	
<b>Nonspendable:</b>	
Cemetery Saving	\$ 401,734
<b>Restricted for:</b>	
Transportation	169,546
<b>Unassigned:</b>	<u>5,517,619</u>
<b>General Fund Balance June 30, 2016</b>	<u><u><b>\$6,088,899</b></u></u>

**TOWN OF WISE, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
VIRGINIA RETIREMENT SYSTEM  
RETIREMENT PLAN  
FOR THE YEAR ENDED JUNE 30, 2016**

**Schedule of Changes in the Town of Wise, Virginia's  
Net Pension Liability and Related Ratios**

<b>Total Pension Liability</b>	<b>2015</b>	<b>2014</b>
Service Cost	\$ 223,237	\$ 227,300
Interest	654,198	611,870
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	(178,761)	-
Changes in Assumptions	-	-
Benefit Payments, Including Refunds of Employee Contributions	(224,440)	(244,530)
Net Change in Total Pension Liability	474,234	594,640
Total Pension Liability – Beginning	9,457,902	8,863,262
<b>Total Pension Liability – Ending (a)</b>	<b>\$ 9,932,136</b>	<b>\$ 9,457,902</b>
<b>Plan Fiduciary Net Position</b>		
Contributions – Employer	\$ 192,583	\$ 184,911
Contributions – Employee	103,496	111,612
Net Investment Income	413,438	1,218,703
Benefit Payments, Including Refunds of Employee Contributions	(224,440)	(244,530)
Administrative Expense	(5,508)	(6,458)
Other	(88)	64
Net Change in Plan Fiduciary Net Position	479,481	1,264,302
Plan Fiduciary Net Position – Beginning	8,910,768	7,646,466
<b>Plan Fiduciary Net Position – Ending (b)</b>	<b>\$ 9,390,249</b>	<b>\$ 8,910,768</b>
<b>Town of Wise, Virginia's Net Pension Liability – Ending (a) – (b)</b>	<b>\$ 541,887</b>	<b>\$ 547,134</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>94.0%</b>	<b>94.2%</b>
<b>Covered-employee Payroll</b>	<b>\$ 2,071,817</b>	<b>\$ 2,071,642</b>
<b>Town of Wise, Virginia's Net Pension Liability As a Percentage of Covered-employee Payroll</b>	<b>26.0%</b>	<b>26.4%</b>

**TOWN OF WISE, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
VIRGINIA RETIREMENT SYSTEM  
RETIREMENT PLAN  
FOR THE YEAR ENDED JUNE 30, 2016**

**Schedule of Employer Contributions  
For the Years Ended June 30, 2007 through 2016**

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2016	193,770	193,770	0	2,083,552	9.3%
2015	192,679	192,679	0	2,071,817	9.3%
2014	184,912	184,912	0	2,150,140	8.6%
2013	179,791	179,791	0	2,090,590	8.6%
2012	75,717	75,717	0	1,947,445	3.84%
2011	74,370	74,370	0	1,886,959	3.84%
2010	73,069	73,069	0	1,936,727	3.84%
2009	79,607	79,607	0	1,902,844	4.16%
2008	78,025	78,025	0	1,854,239	4.16%
2007	65,237	65,237	0	1,816,389	4.16%

**TOWN OF WISE, VIRGINIA  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
VRS RETIREMENT PLAN  
FOR THE YEAR ENDED JUNE 30, 2016**

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 are 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



**TOWN OF WISE, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**SCHEDULE 12**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
<u>U.S. DEPARTMENT OF AGRICULTURE (Direct) **</u>			
Rural Development Housing Authority			
Water & Waste Disposal Systems-Grant	10.760	N/A	\$ 108,483
Total U.S. Department of Agriculture			<u>108,483</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed through VA Department of Motor Vehicles			
Alcohol Traffic Safety & Drunk Driving Prevention	20.601	N/A	<u>11,656</u>
Total Department of Transportation			<u>11,656</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed through VA Department of Criminal Justice Services			
Justice Assistance Act Grant Program	16.738	N/A	<u>2,341</u>
Total Department of Justice			<u>2,341</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY **</u>			
Pass-through: Capitalization Grant for Drinking			
Water State Revolving Fund	Loan 66.468	N/A	488,429
Total U.S. Environmental Protection Agency	Grant 66.468	N/A	<u>452,871</u>
			<u>941,300</u>
<u>U.S. DEPARTMENT OF AGRICULTURE (Direct)</u>			
Rural Housing Service			
Community Facilities Grant	10.766	N/A	<u>4,500</u>
Total U.S. Department of Agriculture			<u>4,500</u>
Total Federal Expenditures			<u>\$ 1,068,280</u>

\*\* Major Program

**TOWN OF WISE, VIRGINIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**1. GENERAL**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule of SEFA) includes all federal grant activity of the Town of Wise, Virginia. The Town's reporting entity is defined in Note 1 of the Town's basic financial statements. All federal assistance that passes through other government agencies or not-for-profit organizations is included on the Schedule.

**2. BASIS OF ACCOUNTING**

The Schedule is presented in the accrual basis of accounting, as described in Note 1 to the Town's basic financial statements. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**3. AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009**

The American Recovery and Reinvestment Act of 2001 (ARRA, or Act) was signed into law on February 17, 2009. As of June 30, 2016, the Town was not a recipient of ARRA funds.

**4. RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS**

GASB 33 provides that grant revenue should be recognized when all applicable eligibility requirements are met, and, under modified accrual accounting, when the resources are available. Therefore, the proceeds of grants which do not specify time requirements, and for which all other eligibility requirements have been met, are recognized as revenues in the current fiscal year. Expenditures, however, are recognized in the fiscal year spent for the required purpose. The following schedule reconciles revenue from the Federal government per the basic financial statements to Federal expenditures per the Schedule.

Revenue from the Federal government – financial statements	\$ 579,850
Loan Proceeds from the Federal government – financial statements	488,429
Add (subtract) Federal Awards revenue recognized:	
In prior fiscal years, spent this fiscal year	-0-
In current fiscal years, but not spent	-0-
Expenditures of Federal awards	\$ <u>1,068,279</u>

**5. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying Schedule agree with amounts reported in the related federal financial reports, except that certain federal financial reports are prepared on the cash basis of accounting and the Schedule is prepared on the basis of accounting described in the preceding Note 1.

**TOWN OF WISE, 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' reports issued:	Unmodified
Internal Control over financial reporting:	
Material weaknesses identified?	No
Significant Deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Material weaknesses identified?	No
Significant Deficiencies identified not considered to be material weaknesses?	None Reported
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No
Identification of major program:	
CFDA#           66.468	
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

**Section II-Financial Statement Findings**

There are no financial statement findings to report.

**Section III-Federal Award Findings and Questioned Costs**

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

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT



## COMPLIANCE



# LARRY D. STURGILL, P. C.

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## 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

The Honorable Council Members of the  
Town of Wise  
Wise, VA 24293

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and with 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, and each major fund of the Town of Wise, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 17, 2016.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any





The Honorable Council Members of the  
Town of Wise  
Wise, Virginia 24293  
Page 2

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Wise, 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*.

### **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.



Larry D. Sturgill, P.C.  
Wise, VA  
November 17, 2016



# LARRY D. STURGILL, P. C.

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Honorable Members of Town Council  
Town of Wise  
Wise, Virginia 24293

### Report on Compliance for Each Major Federal Program

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

### *Management's Responsibility*

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

### *Auditors' Responsibility*

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

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



***Opinion on Each Major Federal Program***

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

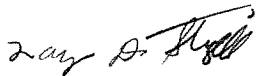
**Report on Internal Control Over Compliance**

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

This 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.



Larry D. Sturgill, P.C.  
Wise, Virginia  
November 17, 2016





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