

AUDIT REPORT

JUNE 30, 2011

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JUNE 30, 2011**

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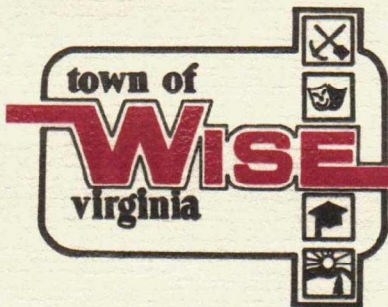
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INTRODUCTORY SECTION



P.O. BOX 1100 • WISE, VA 24293 • (276) 328-6013 (Voice & TDD) • FAX (276) 328-2519

Letter of Transmittal

January 7, 2012

To The Honorable Members of the Town Council
To the Citizens of the Town of Wise
Wise, Virginia

I am pleased to present the Comprehensive Annual Financial Report of the Town of Wise, Virginia, for the fiscal year ended June 30, 2011. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. I believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Town as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the Town's financial affairs have been included.

The management of the Town is responsible for establishing and maintaining an internal control structure to ensure the protection of the Town's assets. In developing and evaluating the Town's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be diverted; and (2) the valuation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. I believe that the Town's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

BUDGETARY CONTROLS

In addition to the internal accounting controls noted above, the Town also maintains budgetary controls. These budgetary controls ensure compliance with provisions embodied in the annual appropriated budget approved by the Town Council. Activities of the general fund are included in the annual appropriated budget.

As a recipient of federal and state financial assistance, the Town is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations. The audit for the fiscal year ended June 30, 2011 has been completed and no material internal control weaknesses or material violations of laws and regulations have been found.

The Town adopts an annual budget by July 1 of each year required by 15.2-2503, Code of Virginia of 1950, as amended. A budget is not required for the proprietary fund. When necessary, the Town Council approves amendments to the adopted budget in accordance with 15.2-2507, Code of Virginia of 1950, as amended. Budgetary compliance is mentioned and reported at the department level. The budget is implemented through appropriations that the Council makes annually, with expenditures, may be greater or less than contemplated in the budget.

THE REPORTING ENTITY AND ITS SERVICES

The Town of Wise report includes all funds and account groups of the "primary government." In Virginia, cities and counties are distinct units of government; therefore the Town is responsible for providing all services normally provided by a local government. These services include general and financial administration, public safety, public works, parks, recreation and cultural activities, community development and sanitation and waste removal services. For financial reporting purposes and in accordance with the Governmental Accounting Standards Board (GASB), Statement 14, "The Financial Reporting Entity," the Town has identified no component units. The Town has implemented this fiscal year the new requirements and reporting model for the annual financial reports of state and local governments as required by GASB 34.

Local Economy

The Town of Wise is located in Southwest Virginia within the territorial boundaries of the County of Wise, Virginia, approximately 50 miles Northwest of Bristol, Virginia. Professional and related services employment groups account for the largest industry group of employed residents in the Town of Wise. This is largely due to the University of Virginia's College of Wise, formerly known as Clinch Valley College of the University of Virginia. The college was created in 1954 to meet the growing educational needs of the area. Also located within the Town is the County of Wise's government seat, the Lonesome Pine Regional System's headquarters, the County Health Department and Clinic and the Wise County Public Schools. The County encompasses a land area of 407 square miles with a population of 42,409. U.S. routes 23 and 58 and State routes 68, 72, 74, 78, and 160 are the primary routes that traverse the County. The County of Wise has a diversified economy with manufacturing, trade services, coal mining, and agricultural sectors. Manufacturing activities includes: hardwood flooring, and steel molding and fabrication. Service industries include: technology call centers, telecommunications, food, health care, education, and government. Agriculture remains an important element to the local economy, with beef cattle the principal livestock, along with apples, vineyard grapes, tobacco and hay as the cash crops.

Based on available economic data, trends for the local economy have remained the same as previous fiscal year. The local unemployment rate for November 30, 2011 was 5.5% which is less than the prior year rate of 6.4%. This is also less than the Commonwealth of Virginia's rate of 5.7% by .20%. However, the local unemployment rate compares favorably to the national rate of 8.20% for November.

MAJOR INITIATIVES FOR FISCAL YEAR 2011

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 22, 2010, the Wise Town Council adopted a General Fund budget for FY 2011 totaling just over \$7.4 million. Said budget set forth a financial plan for the Town as well as a general work program for the year while maintaining taxes, rates, and fees at their pre-existing levels. In addition, no new taxes or fees were levied.

The three-year phase-in of a new accounting standard for Other Post Employment Benefits (OPEB) was complete in 2010. As such during the FY10-11 fiscal year, the Town was required to report on its financial statements, liabilities associated with providing health insurance (and other benefits) for retirees. Currently, OPEB benefits for the Town consist of payment of health insurance premiums for eligible retirees for a maximum of 18 months following retirement or until the retiree reaches age 65, whichever is earlier. Any coverage for a spouse or dependent is at the expense of the retiree. After the 18 month period following retirement, the retiree is responsible for 100% of the premium cost.

An independent firm completed an actuarial study to determine the valuation of the accrued liability for the Town's OPEB which totaled almost \$177,000. The Annual Required Contribution (ARC) is equal to the normal cost plus the amortization of any unfunded actuarial accrued liability. The normal cost represents the annual ongoing cost of the benefits accruing to active participants. In July of 2010, the Town elected to pay for these benefits as they are encumbered and not to finance the Annual Required Contribution (ARC) over time through regular deposits to a trust fund.

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. Effective July 1, 2010, the Wise Town Council established a written Fund Balance Policy for the Town. Said policy provides a framework for the classification of fund balance monies and assets into various categories pursuant to Governmental Accounting Standards Board (GASB) Statement No. 54 guidelines. It also establishes a minimum balance to be maintained for unassigned funds consistent with sound financial management principles.

November of 2010, the Town received a gift of property from First Bank and Trust Company to be utilized for expansion of the Wise Cemetery. The additional acreage will provide approximately 285 burial lots for use by citizens of the Town of Wise. As only a handful of lots are unsold and available for purchase in the existing cemetery, this gift came at a most opportune time. The Town is very grateful to the management and staff of The First Bank and Trust Company for this very generous donation.

The CNW Regional Wastewater Treatment Authority has been engaged in discussion of plans to increase plant capacity from 4MGD to 6MGD. In January of 2011, the Town's governing body elected to reserve and secure an additional 590,000 gallons per day of treatment capacity in the CNW regional wastewater treatment facility expansion. This will provide for future growth of the Town and handling of excess wastewater associated with infiltration and inflow in the Town's sanitary sewer system.

Significant progress was made by the Wise County Industrial Development Authority (WCIDA) on a project to renovate and reopen the Inn at Wise. The Town has three members serving on the project's management team and the Town took a number of actions in FY 2011-2012 to facilitate this project. In March of 2011, Town Council approved the conveyance of property at the corner of Norton Road and East Main Street to the WCIDA, necessary in order to secure grant funding for the project from the Virginia Department of Housing and Community Development. In addition, in the following month, Town Council authorized a donation of \$250,000 to the WCIDA for completion of the Inn project. A major milestone for the project centered on selection of an operating partner for the venture. Public interest was fueled by the announcement that Guest Services Company of Virginia had been selected to operate the lodging and dining facility and that Thompson & Litton was engaged to complete design of the improvements and provide oversight for construction. We all look forward to the much anticipated construction work in 2012.

The Virginia General Assembly has acted to shift from the state to localities, the cost of providing state-mandated line of duty benefits for eligible paid and volunteer hazardous duty personnel. In response thereto, in May of 2011, the Wise Town Council elected to self fund line of duty act claims and to opt out

of the state's line of duty act fund effective June 30th in an effort to exercise more input into the claims process.

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 87.54 percent of the current tax levy.

The Town supports a number of charitable institutions, volunteer, and nonprofit organizations which serve residents. Most notable, during Fiscal Year 2011, just over \$130,000 was provided to support the operation of the Wise Volunteer Fire Department, \$11,450 for the Lonesome Pine Regional Library, \$4,000 for the Cumberland Airport Commission, \$9,150 for Pro-Art, \$20,000 for the Wise Rescue Squad, \$1,850 for the Library Art Gallery, and \$2,500 for Appalachian Children's Theatre. In addition, the Town contributed \$5,000 for expenses associated with the Remote Area Medical (RAM) Project and \$1,000 for the Health Wagon. The Town also supports the fund-raising activities of the Wise County/City of Norton Chamber of Commerce and the Town provided a donation of \$1,000 to the Lonesome Pine EAA to assist with expenses associated with bringing a flying history museum to Wise.

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 Crooked Road – Virginia's Heritage Music Trail" with a \$2,000 contribution. It is hoped that this initiative will enhance recognition of the area as a viable tourism destination. Town Council also approved a donation of \$250 to 'Round the Mountain, a regional craft and artisan's advocacy organization.

Employees supported the community-wide American Cancer Society's Relay for Life through aggressive fund-raising and fielded a team for the event. Monies raised by Town employees in the fight against cancer exceeded \$10,000.

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 the officer spends 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.

On August 14, 2010, the Department sponsored a skateboard rodeo in Synergy Park at Camp Bethel. On August 28, 2010, the Department also sponsored a bicycle rodeo at JJ Kelly High School. A number of local businesses provided donations for the purchase of prizes and advertising for the event and helmets were purchased through a grant from the Virginia Department of Health. During both events instruction was provided in the use of proper protective equipment and good safety practices. Forty-eight young people participated and thirty-eight helmets were given away.

In addition, child safety seats were purchased through a VA Department of Health grant and were distributed to the public. Tool kits for opening of locked vehicle doors were purchased for each police officer, new boots were provided for each officer, and five portable battery jump starter packs were all acquired with a Byrnes Justice Assistance Grant. A laser radar unit was purchased with a grant from the Virginia Department of Motor Vehicles. In addition, the Virginia Department of Motor Vehicles funded over \$8,000 in officer overtime for the enforcement of speed, DUI, and seat belt laws.

In January of 2011, Town Council approved the award of a contract for the purchase of new patrol vehicles for the police department. As a result, three new Chevrolet Impala police pursuit vehicles were received, equipped, and placed into service in June of 2011.

In carrying out its various law enforcement functions this past year, the police department handled 28,844 requests for assistance. Calls ranged from reports of robbery, arson, juvenile crimes, traffic accidents, and family violence incidents, to requests for bank escorts, property checks, and disabled motorist assists.

At midyear, the Town was delighted to learn that the Wise Fire Department had been selected to receive \$430,000 in grant funding from the Virginia Department of Fire Programs for the construction of a new burn building at the regional training center. An engineer was secured and site preparation was completed for the project. Construction of the facility will begin in the Fall of 2011.

Public Works

Much of the work performed by the Public Works Department involves routine maintenance. Utility crews answered 2,422 service calls during normal business hours and responded to 46 after hours call-outs. The Division also installed 40 new water taps and 8 new sewer taps and 3,795 feet of new water line. Over 6,000 feet of sewer line was filmed and tested, 31 meters were replaced, 6 fire hydrants were repaired and 3 were replaced. Personnel also responded to 181 requests for location and marking of underground utilities. In June of 2011, public works crews also finished replacement of over 1,000 LF of 6" sewer main and a major aerial stream crossing in the Yellow Creek community.

In May of 2011, the Town completed construction of a new 300,000 gallon water storage tank on Modoc Hill to replace a tank originally constructed by the Civilian Conservation Corp. in the 1930's which was taken out of service by the Town in 2007. At the same time 4,350 LF of 12' water line, 1,401 LF of 8" water line, and 183 LF of 6" water line was installed to replace the main on Darden Drive and to extend the new line to the new tank on Modoc Hill paralleling Fairground Street, Virginia Avenue, and Orr Street. Replacement and enlargement of the Darden Drive line will enable the Town to meet peak flow demand at the Convocation Center and athletic complex at UVA-Wise without negatively impacting the remainder of the system. Replacement of the other lines insures that the Modoc tank will have a reliable supply of water. The new tank will enable the town to accommodate future commercial and residential expansion in the northwest corridor.

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, operated a curbside vacuum leaf collection program from September through December, 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 many acres of municipal park property including Dotson Park, Arrowhead Park, the swim facility, the Gateway Garden, the Big Glades community square, and the Wise Cemetery. The Department maintains outdoor shelters and structures, public restrooms, playground equipment, fencing, and trash receptacles. In addition, the Department mows and maintains 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 eleven roads in an effort to repair damage associated with the weather, wear and tear, and utility cuts. Maintenance of coal haul routes during FY 10-11 included the pavement of a portion of Lake Street. The Department also replaced a major culvert carrying Glade Creek under School Avenue.

A four-person sanitation crew collected and transported over 4,500 tons of waste to Wise County's Blackwood Landfill in FY 2011. The crew also operated a residential recycling program consisting of collection of recyclables from five neighborhood drop centers. At the conclusion of FY 2011, nearly 56,000 pounds of recyclable material including glass, plastic, aluminum, and newsprint was diverted from the waste stream. In addition, 222 dump truck loads of yard waste were collected and chipped.

In order to facilitate the work of the Public Works Department, one new dump truck was purchased along with one new ten foot heavy duty hydraulic snow plow and a new salt spreader. This equipment was very helpful in removing snow and ice hazards associated with numerous snow storms which threatened to immobilize the Town during the winter of 2011.

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. Marketing Wise to prospective national and regional retailers is also part of the work performed. At the beginning of the year, Wise had 214 established businesses and during FY 10-11, 27 new businesses chose to locate in the Town. During FY 10-11, ten permits were issued for the construction of new residences and seven permits were issued for new commercial projects. In addition, Town Council approved a new apartment building.

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. Three properties were cited for property maintenance code violations, one notice of zoning violations was issued, and twenty-eight requests for mowing of property were sent.

Work to implement the recommendations set forth in the Master Plan for Downtown Revitalization continues and support committees consisting of over fifty volunteers are actively working to promote Wise, foster existing business relationships, encourage new business investment, grow tourism, and bring about aesthetic and physical improvements to the business district. This citizen engagement program has brought together a group of energetic and talented individuals who care deeply about Wise and are ready and willing to work together to create a better community and a greater future for the Town.

Special events continue to be an important part of a marketing strategy to attract customers and investors to Wise. In July, the Town partnered with Wise County to host its fourth three-day civil war re-enactment, The Battles At Wise. Activities included a soldier's ball, two battle re-enactments, and a ladies tea as well as living history presentations on civil war medicine, blacksmithing, and infantry life. The event included union and confederate encampments, sutlers, and period clothing.

In August, the Town hosted a celebration of music and cars from the fifties and sixties at the Ridgeview Centre. "Guitars and Glasspacks" included a music concert and a cruise-in featuring over 250 classic cars. The Van-Dells headlined the event with over two thousand people attending.

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 free bag of 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. The Town provides security, traffic control, tent and stage set-up, garbage collection, and other logistical services. Town Council also provided a \$6,000 donation to assist with festival expenses.

In December, the Town hosted a Christmas Tree Lighting Ceremony in the Gateway Garden. Despite a torrential downpour of rain, an overflow crowd filled the Methodist Church to usher in the holiday season. The Gateway Garden features a pedestrian plaza with benches, lighting, and raised plant beds. It serves as the primary crossroad for the Town and provides strong cue as to the unique identity and importance of the Town as a destination. In conjunction with the tree lighting event, the Town launched a "Shop Local" campaign and contest to educate citizens about the importance of shopping locally and to provide financial incentives for consumers to shop in Wise. In addition to its facebook pages, the Town has also established a monthly electronic newsletter to keep everyone informed of downtown revitalization efforts and Wise activities.

In January of 2011, Town Council was delighted to accept a grant of nearly \$300,000 from the Virginia Department of Transportation to establish an "Enhancement Project" along East Main Street. An additional \$497,000 in local money was also committed to this project which will result in sidewalk upgrades, new street lighting, and other streetscape improvements in a portion of the central business district.

In June of 2011, construction of the Big Glades Project was completed at a cost of \$1.2 million dollars. This community square provides a 1,053 square foot covered stage and amphitheatre with covered bays on each side of the stage for food vendors and the weekly farmer's market. Support facilities at The Big Glades include restrooms, secured storage areas, covered picnic shelters, a concrete dance floor, and ground level water feature. The community square can comfortably accommodate 500 people, is handicapped accessible, and serves as a local venue for Crooked Road attractions and other outdoor performances.

June also marked completion of a project to rehabilitate eight Main Street storefronts in the downtown project area to correct building deficiencies and blighting influences, preserve existing building stock, and enhance the overall appearance of the central business district so as to attract people and new businesses to the area. In conjunction with these physical improvements, the Town also established a revolving microloan program to provide affordable credit to existing or new businesses that locate or expand in the project area.

Parks and Recreation

The 2011 pool season began on May 28th and ended on August 27th with just over 13,000 people visiting the facility during that time period. Despite good attendance, fees for services were not sufficient to fund the costs of daily operations and maintenance.

Prospects For The Future

The economic condition and outlook for the Town of Wise continues to be guarded. The presence of the University of Virginia's College at Wise (UVA-Wise) brings many advantages to the economic condition of the town. The combination of approximately 2,000 students and almost 300 faculty and staff bring significant buying power to the merchants and tax base of Wise. In addition, the College's ambitious campus building program promises to bring even more growth and development to Wise. The Town continues to work with the College to assure the presence of required infrastructure and to help facilitate the expansion of their facilities. Also, the Lonesome Pine Regional Business and Technology Park and the Wise County Industrial Park along with the Wise County School System are major employers in the

region. Plans for consolidation of school facilities and reductions in federal and state aid for education have led to a decrease in teaching positions.

Pending and proposed political and legislative actions threaten to dismantle the coal industry in our area and along with it, rural jobs, energy production, and small business. Unless changes are forthcoming, this could have profound ramifications for our community. Taxes paid by the coal industry support local and state government and contribute to economic diversification of the coalfield region through various grant programs. In addition, the coal industry has also been a heavy supporter of nonprofit and charitable organizations that meet local human service needs. We must remain vigilant in our pursuit of balanced legislation as regards this matter.

Given the state's sagging economy, the winding down of federal stimulus dollars and the rising costs to support education, retirement, and healthcare programs, local governments can expect more decreases in current state aid programs and additional shifting of new costs to localities. Given the current structure, there are few means to address anticipated reductions in state aid to localities.

For the 2011-2012 Fiscal Year, Town Council has approved a General Fund Operating Budget of \$7.5 million. In the face of significant outlays for planned capital projects, the historical trend of adding to fund balance was unattainable for FY 11. However, despite alarming national trends, the Town's financial performance was solid for the fiscal year ending June 30, 2011. The Town ended the year with a deficit less than that projected and budgeted. A transfer from prior year reserves in the amount of \$ 481,061 was required to balance the financial statements.

Cash Management

Cash temporarily idle during the year was invested in time deposits and various authorized money market instruments. No funds were invested in the state investment pool due to concerns about the possible use of subprime investment instruments or securities collateralized by subprime mortgages, mortgage-backed securities, and impending foreclosures. The town's investment activities are designed to allow the Town to obtain the highest possible 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 11 was \$ 50,323. This is a decrease from interest earned on temporary investments in FY 10 which totaled \$72,558. This is due in large part to a drawdown of reserve funds banked for planned capital projects as well as attributable to the anemic market interest rates.

Risk Management

The Town is exposed to various risks of losses. The staff uses a variety of techniques to identify and monitor its risks and exposures for the activities of the Town and has an ongoing employee safety program 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.

Respectfully submitted,



Beverly C. Owens
Town Manager

MEMBERS OF COUNCIL

Erra Sutherland, Mayor

Caynor A. Smith, Jr., Vice-Mayor

Teresa H. Adkins

Luther D. Adkins

Clifton Carson

OTHER TOWN OFFICIALS

Town Manager

Beverly Owens

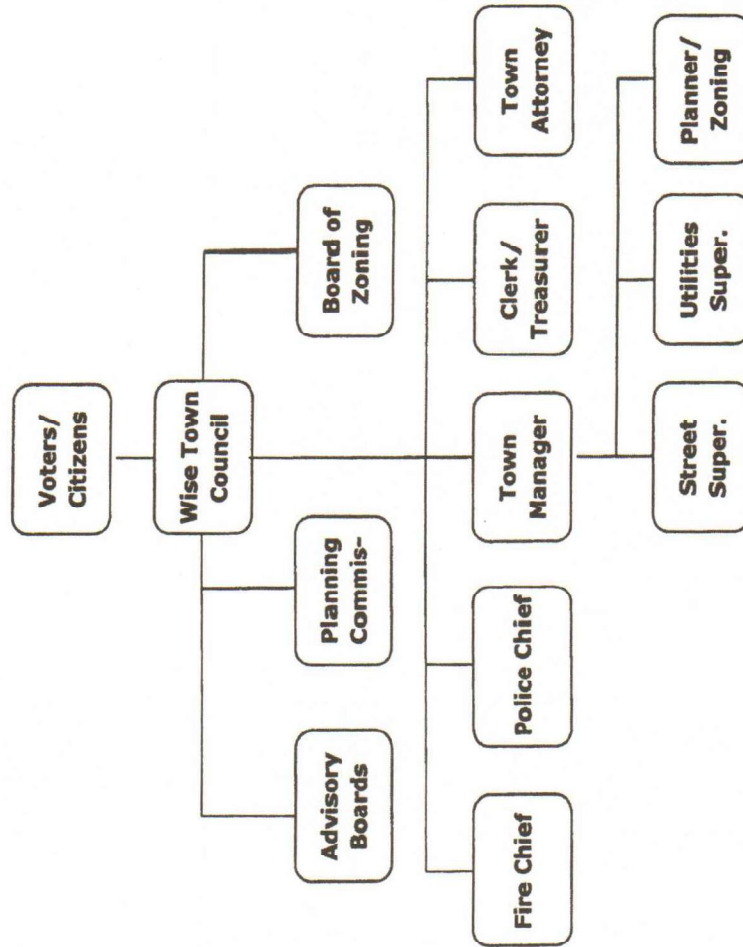
Town Treasurer

Robin Bryant

Chief of Police

Tony Bates

Town of Wise Organizational Chart



LARRY D. STURGILL, P. C.

LARRY D. STURGILL

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
' ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Council Members:

I have audited the accompanying financial statements of the governmental activity and the business-type activity of the Town of Wise, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

The Honorable Members of Town Council

Town of Wise

Wise, Virginia 24293

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In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activity and the business-type activity of the Town of Wise, Virginia, as of June 30, 2011 and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

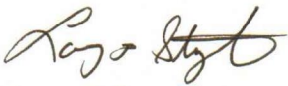
In accordance with *Government Auditing Standards*, I have also issued my report dated January 7, 2012, on my consideration of the Town of Wise, Virginia's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 11 and 38 and 43 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. I 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 response to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide an assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Wise, Virginia's financial statements as a whole. The introductory section and statistical section, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in

The Honorable Members of Town Council
Town of Wise
Wise, Virginia
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accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the 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, I do not express an opinion or provide any issues on them.



Larry D. Sturgill
Certified Public Accountant
Wise, Virginia
January 7, 2012

LARRY D. STURGILL, P. C.

LARRY D. STURGILL

MEMBER
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

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

Council Members:

I have audited Town of Wise, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Wise, Virginia's major federal program for the year ended June 30, 2011. Town of Wise, Virginia's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Town of Wise, Virginia's management. My responsibility is to express an opinion on Town of Wise, Virginia's compliance based on my audit.

I conducted my 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 Town

The Honorable Members of Town Council
Town of Wise
Wise, Virginia
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of Wise, Virginia's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Town of Wise, Virginia's compliance with those requirements.

In my opinion, Town of Wise, Virginia, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control over Compliance

Management of Town of Wise, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Town of Wise, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Town of Wise, Virginia's internal control over compliance.

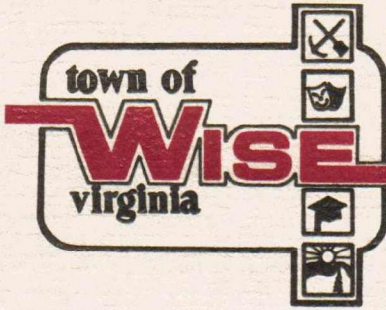
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

My 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 deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Larry D. Sturgill
Certified Public Accountant
Wise, Virginia
January 7, 2012



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MANAGEMENT'S DISCUSSION AND ANALYSIS

To the Honorable Members of the Town Council
To the Citizens of The Town of Wise
Wise, Virginia 24293

As management of the Town of Wise, Virginia 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, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page i-iv of this report. All accounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$20,344,377 (net assets). Of this amount, \$3,699,088 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors from the general fund.

As of the close of the current fiscal year; the Town's general fund reported an ending fund balance of \$4,131,156, a decrease of \$481,929 in comparison with the prior year. One hundred percent of this total amount is available for spending at the Town's discretion (unreserved fund balance).

At the end of the current fiscal year, unreserved fund balance for the general fund was \$4,131,156, or 87% percent of total general fund expenditures.

The Town of Wise, Virginia's total debt decreased by \$74,685 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:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

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 the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets 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 the 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 of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, police protection, sanitation, cultural events, recreation, and community development.

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 of Wise, Virginia, 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 statement, 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. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with its budget.

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.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets exceeded liabilities by \$20,344,377 at the close of the most recent fiscal year. The largest portion of the Town's net assets (83 percent) 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. 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 (Continued)

Town of Wise, Virginia's Net Assets

	<u>Primary Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
<u>ASSETS:</u>		
Current and other assets	\$ 4,938,346	\$ 5,275,640
Capital assets	<u>16,849,836</u>	<u>15,281,448</u>
Total assets	<u>21,476,811</u>	<u>20,557,088</u>
<u>LIABILITIES:</u>		
Long-term liabilities outstanding	\$ 129,362	\$ 204,547
Current liabilities	<u>1,295,343</u>	<u>667,474</u>
Total liabilities	\$ 1,424,705	\$ 872,031
<u>NET ASSETS:</u>		
Invested in capital assets, net of related debt	\$16,645,289	\$15,002,216
Unrestricted	<u>3,699,088</u>	<u>4,682,841</u>
Total net assets	<u>\$20,344,377</u>	<u>\$19,685,057</u>
Total Liabilities and Net Assets	<u>\$21,769,082</u>	<u>\$20,557,088</u>

At the end of the current fiscal year, the Town is able to report a positive balance in its net assets, both for the Town as a whole, and as well as for its separate governmental and business-type activity.

Government-wide Financial Analysis (Continued)

Governmental Activities – Governmental activities increased the Town's net assets by \$80,653. Key elements of this increase are as follows:

Town of Wise, Virginia's Change in Net Assets		
	<u>Primary Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
REVENUES:		
Program revenues:		
Charges for services	\$ 296,925	\$ 290,139
Operating grants and contributions	1,466,638	769,721
General Revenues:		
Property taxes	642,303	612,485
Other Local taxes	2,103,472	2,107,939
Other	(203,553)	20,120
TOTAL REVENUES	<u>\$ 4,305,785</u>	<u>\$ 3,800,404</u>
EXPENSES:		
General government	\$ 200,226	\$ 486,618
Public safety	1,437,540	1,157,950
Public works	1,253,400	1,149,626
Health and welfare	6,398	7,881
Parks, recreation and culture	169,438	273,377
Community development	1,148,946	130,663
Interest Expense	9,185	9,059
TOTAL EXPENSES	<u>\$ 4,225,132</u>	<u>\$ 3,215,174</u>
 Increase (decrease) in net assets	 \$ 80,653	 \$ 585,231
 Net assets – June 30, 2010	 <u>13,068,698</u>	 <u>12,483,467</u>
Net assets – June 30, 2011	<u>\$13,149,351</u>	<u>\$13,068,698</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 particular, unreserved fund balance may serve as a useful measure of a Town’s net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town’s governmental fund reported an ending fund balance of \$4,131,156 a decrease of \$481,929 in comparison with the prior year. Eighty-six percent of this total amount \$3,588,732 constitutes unreserved fund balance, which is available for spending at the Town’s discretion.

The general fund is the operating fund of the Town and the only governmental fund type. Unreserved fund balance represents 87 percent of total general fund expenditures.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget represented a \$812,550 increase in revenues and can be briefly summarized as follows:

- \$111,100 decrease in general fund revenue due to a recharacterization
- \$ 87,450 increase in Non-categorical revenue
- \$898,200 increase in Categorical revenue
- \$ 62,000 decrease in Federal revenue

These funds were budgeted from available fund balance.

Capital Asset and Debt Administration

Capital assets – The Town’s investment in capital assets for its governmental fund as of June 30, 2011 amounts to \$9,293,156 (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 for the current fiscal year was \$929,426.

<u>Town of Wise, Virginia’s Change in Net Assets</u>		
	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 1,988,498	\$ 2,097,491
Buildings and Building Improvements	2,120,943	2,095,535
Infrastructure	6,272,002	4,905,283
Equipment	<u>2,920,842</u>	<u>2,785,140</u>
Total	13,302,285	11,883,450
Less: accumulated depreciation	<u>(4,009,129)</u>	<u>(3,519,720)</u>
Net capital assets	<u>\$ 9,293,156</u>	<u>\$ 8,363,730</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 \$327,881, including claims, judgments, and compensated absences of \$123,334. Of this amount \$204,547 comprises debt backed by the full faith and credit of the Town. During the current fiscal year, the Town's total primary government debt decreased by \$92,535.

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

Economic Factors

- The November 2011 unemployment rate for the local area was 5.5% percent, which is a decrease from a rate of 6.4 % percent in November 2010. This is less than the state's average unemployment rate of 5.7 % percent by .2 percent while the rate was lower than the national average rate of 8.2%.

All of these factors were considered in preparing the Town's budget for the 2012 fiscal year.

Rates

The appropriate tax rates for the 2010-2011 year are as follows: .245 per \$100 value for real estate, mobile home taxes, and public utilities real estate, .53 per \$100 value for personal property, machinery and tools, and public service personal property.

Acknowledgements

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 ASSETS
JUNE 30, 2011

	GOVERNMENTAL FUND	BUSINESS- TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT GOVERNMENT AL ACTIVITIES
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 4,055,862	\$ 106,215	\$ 4,162,077
Receivables (Net of Allowances for Uncollectibles):			
Taxes Including Penalties	131,220	-	131,220
Accounts	51,224	163,321	214,545
Other	6,317	-	6,317
Due from Other Governmental Units	424,245	-	424,245
Unamortized Bond Issuance Cost (Net of Accumulated Amortization)	-	(57)	(57)
TOTAL CURRENT ASSETS	4,668,867	269,479	4,938,346
NONCURRENT ASSETS			
Fixed Assets (Net of Accumulated Depreciation)	9,293,156	7,556,680	16,849,836
TOTAL NONCURRENT ASSETS	9,293,156	7,556,680	16,849,836
TOTAL ASSETS	\$ 13,962,023	\$ 7,826,159	\$ 21,788,182
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts Payable	\$ 504,843	\$ 453,070	\$ 957,914
Accrued Liabilities	20,596	10,622	31,218
Accrued Vacation Pay	78,507	44,827	123,334
Other Post Employment Benefits	19,100		
Customer Deposits	-	106,215	106,215
Accrued Interest	1,352	125	1,477
General Obligation Bonds Payable	58,912	16,273	75,185
TOTAL CURRENT LIABILITIES	683,310	631,133	1,295,343
NONCURRENT LIABILITIES			
Noncurrent Portion of Long-Term Obligations	129,362	0	129,362
TOTAL NONCURRENT LIABILITIES	129,362	0	129,362
TOTAL LIABILITIES	812,672	631,133	1,424,705
<u>NET ASSETS</u>			
Investment in General Fixed Assets, Net of Related Debt	9,104,882	7,540,407	16,645,289
Unrestricted Net Assets	4,044,469	(345,381)	3,699,088
TOTAL NET ASSETS	13,149,351	7,195,026	20,344,377
TOTAL LIABILITIES & NET ASSETS	\$ 13,962,023	\$ 7,826,159	\$ 21,769,082

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT.

TOWN OF WISE, VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS and CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT AND BUSINESS TYPE ACTIVITIES
PRIMARY GOVERNMENT:						
Governmental Activities						
General Government Administration	\$ 200,226	\$ -	\$ 334,428	\$ 134,202		\$ 134,202
Public Safety	1,437,540	-	8,910	(1,428,630)		(1,428,630)
Public Works	1,253,400	213,086	478,244	(562,070)		(562,070)
Health & Welfare	6,398	-	-	(6,398)		(6,398)
Parks, Recreation & Cultural	169,438	83,838	-	(85,599)		(85,599)
Community Development	1,148,946	-	645,056	(503,890)		(503,890)
Interest & Fiscal Charges	9,185	-	-	(9,185)		(9,185)
Total Governmental Activities	<u>4,225,132</u>	<u>296,925</u>	<u>1,466,638</u>	<u>(2,461,570)</u>		<u>(2,461,570)</u>
Business-Type Activities						
Water and Sewer Fund	<u>2,607,567</u>	<u>2,052,622</u>	<u>-</u>		<u>(554,945)</u>	<u>(554,945)</u>
Total Business-Type Activities	<u>2,607,567</u>	<u>2,052,622</u>	<u>-</u>		<u>(554,945)</u>	<u>(554,945)</u>
Total Primary Government	<u>\$ 6,832,699</u>	<u>\$ 2,349,547</u>	<u>\$ 1,466,638</u>			<u>(3,016,514)</u>
General Revenues						
Taxes:						
Property Taxes, levied for general purposes				642,303	-	642,303
Utility Taxes				123,094	-	123,094
Mineral Taxes				210,529	-	210,529
Franchise Taxes				7,266	-	7,266
Local Sales & Use Taxes				200,987	-	200,987
Other Local Taxes				1,561,597	-	1,561,597
Grants and Contributions, not restricted to specific programs					266,000	266,000
Investment Income				50,296	1,739	52,034
Miscellaneous				234,213	-	234,213
Operating Transfers				(488,061)	488,061	-
Gain (Loss) on Sale of Assets				-	-	-
Total General Revenue				<u>2,542,222</u>	<u>755,800</u>	<u>3,298,022</u>
Change in Net Assets				<u>80,653</u>	<u>200,855</u>	<u>281,508</u>
Net Assets at Beginning of Year				<u>13,068,698</u>	<u>6,994,171</u>	<u>20,062,869</u>
Net Assets at End of Year				<u>\$ 13,149,351</u>	<u>\$ 7,195,026</u>	<u>\$ 20,344,377</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT.

TOWN OF WISE, VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2011

ASSETS	GENERAL FUND
Cash and Cash Equivalents	\$ 4,055,862
Receivables (Net of allowances for uncollectibles):	
Taxes, including penalties	131,220
Accounts	51,224
Other	6,317
Due from Other Governmental Units	424,245
TOTAL ASSETS	4,668,867
LIABILITIES	
Accounts Payable	487,797
Accrued Liabilities	20,596
Accrued Interest	-
Deferred Revenue	29,318
TOTAL LIABILITIES	537,711
FUND BALANCES	
Fund Balance	4,131,156
TOTAL FUND BALANCES	4,131,156
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,668,867
Detailed explanation of adjustments from fund statements to government-wise statements of net assets:	
Fund Balance	4,131,156
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the locality as a whole.	
	9,293,156
Because of focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in the fund balance.	
	29,318
Bond Issuance Costs included on the Statement of Assets, net of Accumulated Amortization.	
	-
Long-term liabilities applicable to the locality's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net assets.	
	(304,279)
Net assets of General Government Activities	\$ 13,149,351

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT.

TOWN OF WISE, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
REVENUES:		
General Property Taxes	\$ 612,985	\$ 593,612
Other Local Taxes	2,103,473	2,120,307
Permits & Privilege Fees	2,304	1,289
Fines & Forfeitures	17,586	19,207
Revenue from Use of Money		
& Property	50,296	72,512
Charges for Services	296,925	290,139
Miscellaneous	214,324	152,901
Intergovernmental	1,466,638	769,721
TOTAL REVENUES	<u>4,764,528</u>	<u>4,019,689</u>
EXPENDITURES:		
Current:		
General Government Administration	481,126	460,570
Public Safety	1,216,251	1,173,552
Public Works	1,353,447	1,436,894
Health & Welfare	6,398	7,881
Parks, Recreation & Cultural	186,666	236,987
Community Development	1,447,764	236,029
Debt Service:		
Principal Retirement	58,912	57,102
Interest & Fiscal Charges	7,833	9,643
TOTAL EXPENDITURES	<u>4,758,396</u>	<u>3,618,657</u>
Excess (Deficiency) of Revenues		
Over Expenditures	<u>6,132</u>	<u>401,031</u>
OTHER FINANCING SOURCES (USES):		
Operating Transfer (Out)	(488,061)	(233,528)
Refunding Bond Proceeds	-	-
Bond Issuance Costs	-	-
TOTAL OTHER FINANCING SOURCES	<u>(488,061)</u>	<u>(233,528)</u>
Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses	<u>(481,929)</u>	<u>167,503</u>
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>4,613,085</u>	<u>4,445,582</u>
FUND BALANCE (DEFICIT) AT		
END OF YEAR	<u>\$ 4,131,156</u>	<u>\$ 4,613,085</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT.

TOWN OF WISE, VIRGINIA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

EXHIBIT 5

	<u>GOVERNMENTAL FUNDS</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ (481,929)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	509,458
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	27,966
Expenses in the statement of activities that are not paid by current resources are not expenses in the funds.	(17,046)
Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, these costs represent expenses of the current year.	2,392
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>39,812</u>
Change in net assets of governmental activities	<u>\$ 80,653</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT.

TOWN OF WISE, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET & ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

EXHIBIT 6

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
General Property Taxes	\$ 550,360	\$ 612,985	\$ 62,625
Other Local Taxes	1,715,100	2,103,473	388,373
Permits & Privilege Fees	1,250	2,304	1,054
Fines & Forfeitures	18,450	17,586	(864)
Revenue from Use of Money & Property	55,000	50,296	(4,704)
Charges for Services	265,000	296,925	31,925
Miscellaneous	165,310	214,324	49,014
Intergovernmental	2,582,290	1,466,638	(1,115,652)
TOTAL REVENUES	<u>5,352,760</u>	<u>4,764,528</u>	<u>(588,232)</u>
EXPENDITURES:			
Current:			
General Government Administration	545,590	481,126	64,464
Public Safety	1,731,840	1,216,251	515,589
Public Works	1,676,970	1,353,447	323,523
Health & Welfare	11,500	6,398	5,102
Parks, Recreation & Cultural	375,330	186,666	188,665
Community Development	2,877,448	1,447,764	1,429,684
Debt Service:			
Principal Retirement	165,500	58,912	106,588
Interest & Fiscal Charges	11,500	7,833	3,667
TOTAL EXPENDITURES	<u>7,395,678</u>	<u>4,758,396</u>	<u>2,637,282</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,042,918)	6,132	2,049,050
OTHER FINANCING SOURCES (USES):			
Operating Transfer (Out)	(1,412,130)	(488,061)	924,069
Prior Year Appropriation	3,455,048	-	(3,455,048)
TOTAL OTHER FINANCING SOURCES	<u>2,042,918</u>	<u>(488,061)</u>	<u>(2,530,979)</u>
Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses	-	(481,929)	(481,929)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>-</u>	<u>4,613,085</u>	<u>4,613,085</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ -</u>	<u>\$ 4,131,156</u>	<u>\$ 4,131,156</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT.

TOWN OF WISE, VIRGINIA
STATEMENT OF REVENUES, EXPENSES & CHANGES IN
RETAINED EARNINGS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011 AND 2010

EXHIBIT 7

	ENTERPRISE	
	2011	2010
OPERATING REVENUES:		
Charges for Services	\$ 1,904,377	\$ 1,944,988
Connection Charges	87,313	77,590
Miscellaneous	60,933	59,877
TOTAL OPERATING REVENUES	2,052,622	2,082,455
OPERATING EXPENSES:		
Personnel Service	754,533	802,443
Fringe Benefits	445,444	419,142
Contractual Services	46,461	44,273
Other Charges	983,720	969,025
Amortized Bond Issuance Costs	297	297
Depreciation	376,180	365,879
TOTAL OPERATING EXPENSES	2,606,636	2,601,059
OPERATING INCOME (LOSS)	(554,013)	(518,605)
NON-OPERATING REVENUES (EXPENSES):		
Miscellaneous Income	-	-
Interest Income	1,739	5,703
Interest Expense	(931)	(1,376)
Gain (Loss) on Sale of Assets	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	807	4,326
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(553,206)	(514,278)
Operating Transfer In	488,061	233,528
Contribution from Other Governmental Units	266,000	291,750
NET INCOME	200,855	11,000
RETAINED EARNINGS AT BEGINNING OF YEAR	6,994,171	6,983,171
RETAINED EARNINGS AT END OF YEAR	\$ 7,195,026	\$ 6,994,171

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT.

TOWN OF WISE, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011

EXHIBIT 8
PAGE 1

Cash Flow from Operating Activities:		
Cash Received from Customers	\$ 2,034,069	
Cash Payments to Suppliers for Goods & Services	(1,178,870)	
Cash Payment to Employees for Services	(778,950)	
Other Operating Revenues	-	
NET CASH PROVIDED BY OPERATING ACTIVITIES		76,249
Cash Flow from Noncapital Financing Activities:		
Increase (Decrease) in Customer Deposits	(5)	
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES		(5)
Cash Flows from Capital & Related Financing Activities:		
Acquisition of Capital Assets	(1,015,313)	
Transfer from General Fund	488,061	
Contribution from other governmental units	266,000	
Principal Paid on Revenue Bond	(15,773)	
Interest Paid on Revenue Bonds	(931)	
NET CASH USED FOR CAPITAL & RELATED FINANCING ACTIVITIES		(277,956)
Cash Flows from Investing Activities:		
Interest & Dividends on Investments	1,739	
Other Non-Operating Revenues	-	
NET CASH PROVIDED BY INVESTING ACTIVITIES		1,739
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS		(199,973)
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR		306,188
CASH & CASH EQUIVALENTS AT END OF YEAR		\$ 106,215

Disclosure of Accounting Policy

For purposes of the Statement of Cash Flows, the Water 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 THIS FINANCIAL STATEMENT.

TOWN OF WISE, VIRGINIA
STATEMENT OF CASH FLOWS (SUPPLEMENTARY SCHEDULE)
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011

EXHIBIT 8
PAGE 2

Reconciliation of Operating Income to Net

Cash Provided by Operating Activities:

Operating Income (Loss) \$ (554,013)

Adjustments to reconcile Operating Income to

Net Cash Provided by Operating Activities:

Depreciation \$ 376,180

Amortization 297

Change in Assets & Liabilities:

(Increase) Decrease in Accounts Receivable (18,553)

Increase (Decrease) in Accounts Payable 316,460

Increase (Decrease) in Accrued Liabilities (24,417)

Increase (Decrease) Accrued Vacation (19,705)

TOTAL ADJUSTMENTS

630,262

NET CASH PROVIDED BY OPERATING ACTIVITIES

\$ 76,249

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT.

NOTES TO FINANCIAL STATEMENTS

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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. Financial Statement Presentation

Financial Statement Presentation

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement, known as the “Reporting Model” statement, affects the way the Town prepares and presents financial information.

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

Management’s Discussion and Analysis – GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government’s financial activities in the form of “management’s discussion and analysis” (MD&A).

Government-wide and Fund Financial Statements

Government-wide financial statements – The reporting model includes financial statements prepared using full accrual accounting for all of the government’s activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

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

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 (Continued)

Statement of Activities – The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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

Separate financial statements are provided for the governmental fund and the proprietary fund.

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 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 the new 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.

B. The Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organizations governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

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.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 (Continued)

C. Potential Component Unit Consideration

No potential component units were detected during review.

D. Measurement Focus, Basis of Accounting, Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB). The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

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

The government-wide statement of activities reflect both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 (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 and Sewer Fund.

E. 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.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 (Continued)

F. 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 and are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

G. 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

H. Allowance for Uncollectible Accounts

Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$52,268 at June 30, 2011, and is composed of the following:

	<u>Amount</u>
<u>General Fund:</u>	
Property Tax Receivable	\$ 6,817
Garbage Receivable	7,141
<u>Water and Sewer Fund:</u>	
Accounts Receivable	<u>38,310</u>
TOTAL	<u>\$ 52,268</u>

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 (Continued)

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>General Fund:</u>		
<u>Treasurer of Wise County:</u>		
Sales Tax	\$ 37,682	
Court Fines	2,936	
Coal Road Improvement	<u>60,267</u>	
Total Treasurer of Wise County		<u>\$ 100,885</u>
 TOTAL GENERAL FUND		 <u>\$ 100,885</u>

NOTE 5: DEFERRED REVENUE

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$29,318 is comprised of uncollected tax billings not available for funding of current expenditures as of June 30, 2011.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 6: CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	BALANCE			BALANCE
	BEGINNING	ADDITIONS	DELETIONS	ENDING
Land	\$ 2,097,491	\$ 17,000	\$ 125,993	\$ 1,988,498
Buildings	2,095,536	25,407	-	2,120,943
Infrastructure	4,905,284	1,366,718	-	6,272,002
Equipment	2,785,139	212,105	76,402	2,920,842
TOTAL	11,883,450	1,621,230	202,395	13,302,285
Less: Accumulated Depreciation				(4,009,129)
NET				9,293,156

NOTE 7: PROPRIETARY FIXED ASSETS

A summary of proprietary fund property, plant and equipment at June 30, 2011 follows:

	Water & Sewer
Land	\$ 296,000
Buildings	238,701
Improvements other than Buildings	11,353,766
Equipment	1,108,307
TOTAL	\$ 12,996,774
Less: Accumulated Depreciation	(5,430,366)
NET	\$ 7,566,408

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 8: LONG-TERM DEBT

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

<u>Bonds and Notes Payable</u>		
<u>GENERAL OBLIGATION REFUNDING BONDS</u>		
<u>YEAR ENDED</u>		
<u>JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2012	60,779	5,965
2013	62,706	4,039
2014	64,788	2,051
TOTALS	188,273	12,055

Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the Town for the Year ended June 30, 2011:

	<u>GENERAL OBLIGATION BONDS</u>	<u>WATER & SEWER BONDS</u>	<u>TOTALS</u>
Bonds Payable at July 1, 2010	\$ 247,186	\$ 32,046	\$ 279,232
Retirements:			
General Obligation			
Refunding Bonds	58,912	15,773	74,685
Total Requirements	\$ 58,912	\$ 15,773	\$ 74,685
Bonds Payable at June 30, 2011	<u>\$ 188,274</u>	<u>\$ 16,273</u>	<u>\$ 204,547</u>

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 8 (Continued)

DETAILS OF LONG-TERM INDEBTEDNESS

	AMOUNT OUTSTANDING
General Obligation Bond:	
An \$875,555 General Obligation Refunding Bond was issued April 10, 2003 to Blue Ridge Bank for the refinancing of a general obligation bond. Of the refunding bond, 71% was allocated to the general fund. A principal payment is due annually and interest is paid semi-annually at 3.10% interest rate.	\$ 188,274
TOTAL GENERAL OBLIGATION BONDS	\$ 188,274
TOTAL COMPENSATED ABSENCES	78,507
TOTAL GENERAL LONG-TERM OBLIGATION DEBT	\$ 266,781

ENTERPRISE FUND

	AMOUNT OUTSTANDING
General Obligation Bond:	
An \$875,555 General Obligation Refunding Bond was issued April 10, 2003 to Blue Ridge Bank for the refinancing of a general obligation bond. Of the refunding bond, 29% was allocated to the general fund. A principal payment is due annually and interest is paid semi-annually at 3.10% interest rate.	\$ 16,273
TOTAL COMPENSATED ABSENCES	44,827
TOTAL ENTERPRISE LONG-TERM OBLIGATION DEBT	\$ 61,100

NOTE 9: DEFINED BENEFIT PENSION PLAN

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
 Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
 Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9 (Continued)

to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2. Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.

Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70 %. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9 (Continued)

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2011 was 3.84% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2011, Town's annual pension cost of \$67,622 was equal to the Town's required and actual contributions.

Three-Year Trend Information for Town

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
June 30, 2009	79,607.	100%	\$-0-
June 30, 2010	73,069.	100%	-0-
June 30, 2011	67,622	100%	-0-

The FY 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9 (Continued)

D. Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 90.14% funded. The actuarial accrued liability for benefits was \$7,355,993, and the actuarial value of assets was \$6,633,660, resulting in an unfunded actuarial accrued liability (UAAL) of \$722,663. The covered payroll (annual payroll of active employees covered by the plan) was \$1,936,727, and ratio of the UAAL to the covered payroll was 37.31%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

NOTE 10: CONTINGENT LIABILITIES

Federal programs in which the Town participates were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments and the Single Audit Act of 1984. Pursuant to the provisions of the above, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

NOTE 11: 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 12: 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 for each per month and vacation time is accrued based on length of

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 12 (Continued)

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 \$78,507 in the General Long-Term Obligation Account Group and \$44,827 in the Water and Sewer Fund.

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, 2011 amounted to \$1,016.

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

NOTE 14: LITIGATION

According to the Town's Legal Counsel, there are no outstanding claims or judgements concerning the Town of Wise, Virginia. Since there are no outstanding claims, no contingency liability has been recorded.

NOTE 15: 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 Finance Director 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, 2011

NOTE 15 (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.

NOTE 16: New Accounting Standard:

The Governmental Accounting Standards Board (GASB) has issued the following statement which is not yet effective.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 16 (Continued)

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* improves financial reporting by addressing the issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This statement will be effective for periods beginning after December 15, 2011.

Management has not yet evaluated the effects, if any, of adopting this standard, but does not expect it to be material.

SCHEDULES OF CAPITAL ASSETS

TOWN OF WISE, VIRGINIA
SCHEDULE OF CAPITAL ASSETS BY SOURCE
FOR THE YEAR ENDED JUNE 30, 2011

EXHIBIT 9

	<u>TOTAL</u>
CAPITAL ASSETS:	
Land	\$ 1,988,498
Building and Building Improvements	2,120,943
Infrastructure	6,272,002
Equipment	<u>2,920,842</u>
Total Capital Assets	<u>\$ 13,302,285</u>
INVESTMENT IN CAPITAL ASSETS BY SOURCE:	
Proceeds from Indebtedness	\$ 188,274
General Fund Revenues	<u>13,114,011</u>
TOTAL INVESTMENT IN CAPITAL ASSETS	<u>\$ 13,302,285</u>

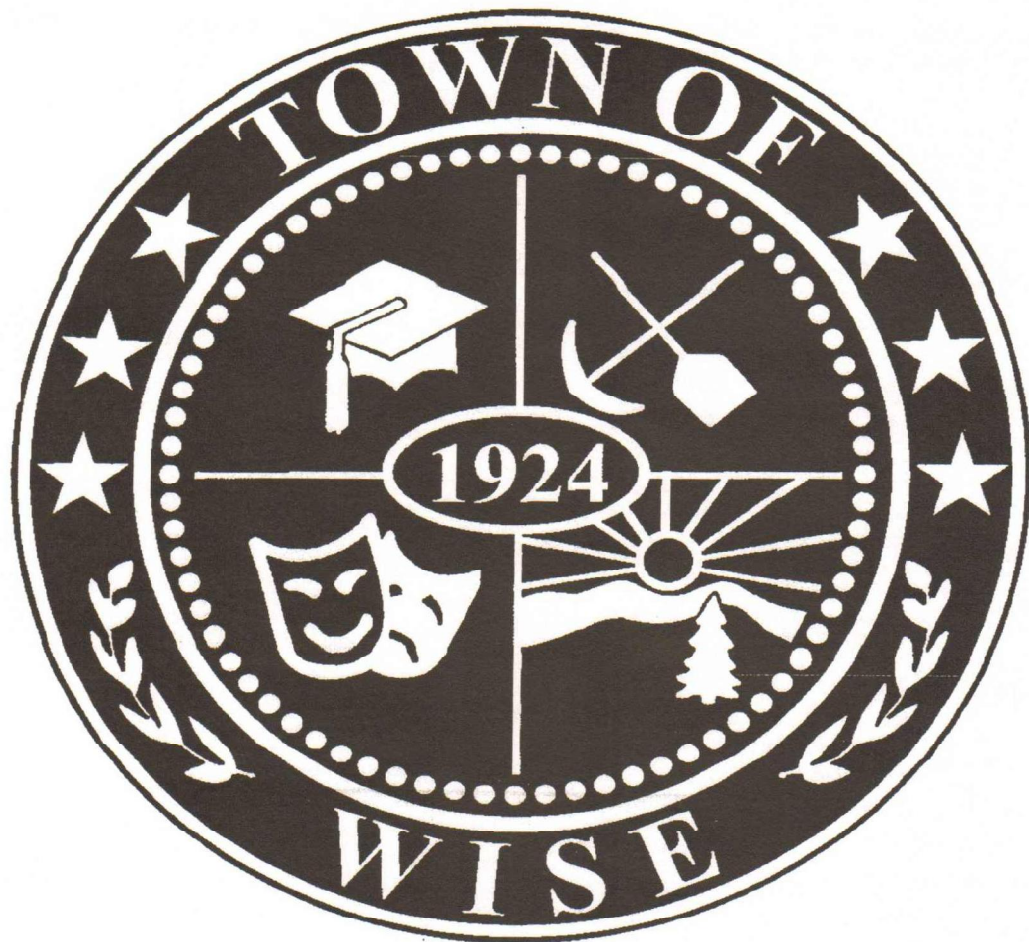
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT.

TOWN OF WISE, VIRGINIA
SCHEDULE OF CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2011

EXHIBIT 10

	LAND	BUILDING and BUILDING IMPROVEMENTS	INFRA- STRUCTURE	EQUIPMENT	TOTAL
PRIMARY GOVERNMENT:					
General Government Adm	\$ 1,988,498	\$ 1,590,707	\$ -	\$ 175,251	\$ 3,754,456
Judicial Administration	-	-	-	-	-
Public Safety	-	402,979	-	1,548,046	1,951,025
Public Works	-	127,257	3,198,721	1,109,920	4,435,898
Health & Welfare	-	-	-	-	-
Education	-	-	-	-	-
Parks, Recreation & Cultural	-	-	2,320,641	58,417	2,379,058
Community Development	-	-	752,640	29,208	781,849
TOTAL CAPITAL ASSETS BY FUNCTION	\$ 1,988,498	\$ 2,120,943	\$ 6,272,002	\$ 2,920,842	\$ 13,302,285

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT.



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SUPPLEMENTARY SCHEDULES

TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF REVENUES - BUDGET & ACTUAL
YEAR ENDED JUNE 30, 2011

SCHEDULE 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	\$ 427,000	\$ 427,000	\$ 470,860	\$ 43,860
Real & Personal Public Service				
Corporation Property Taxes	10,000	10,000	11,278	1,278
Personal Property Taxes	106,860	106,860	114,569	7,709
Penalties & Interest	6,500	6,500	16,277	9,777
PROPERTY TAXES	550,360	550,360	612,985	62,625
Other Local Taxes:				
Local Sales & Use Taxes	85,000	85,000	200,987	115,987
Consumer Utility Taxes	80,000	80,000	102,061	22,061
Consumption Tax	13,000	13,000	21,033	8,033
Business License Taxes	348,100	348,100	431,298	83,198
Franchise License Taxes	4,000	4,000	7,266	3,266
Motor Vehicle Licenses	32,000	32,000	30,439	(1,561)
Bank Stock Taxes	90,000	90,000	126,742	36,742
Transient Lodging Taxes	36,000	36,000	42,178	6,178
Coal Road Improvement Taxes	150,000	150,000	210,529	60,529
Cigarette Tax	32,000	32,000	37,482	5,482
Meal Tax	845,000	845,000	893,458	48,458
	1,715,100	1,715,100	2,103,473	388,373
Permits, Privilege Fees &				
Regulatory Licenses:				
Animal License	500	500	679	179
Permits	750	750	1,625	875
REGULATORY LICENSES	1,250	1,250	2,304	1,054
Fines & Forfeitures	18,450	18,450	17,586	(864)
Revenue From Use of Money & Property:				
Interest and Rent Revenue	55,000	55,000	50,296	(4,704)
TOTAL REVENUE FROM USE OF MONEY & PROPERTY	55,000	55,000	50,296	(4,704)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT.

TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF REVENUES - BUDGET & ACTUAL
YEAR ENDED JUNE 30, 2011

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund: (continued)				
Charges For Services:				
Charges For Parks & Recreation	\$ 75,000	\$ 75,000	\$ 83,838	\$ 8,838
Charges For Sanitation & Waste Removal	190,000	190,000	213,086	23,086
TOTAL CHARGES FOR SERVICES	265,000	265,000	296,925	31,925
Miscellaneous Revenue:				
Sale of Cemetery Plots	10,000	10,000	10,612	612
Sale of Property	100	100	6,764	6,664
County of Wise-Payment in Lieu of Taxes	16,000	16,000	5,000	(11,000)
Coal Severance Committee Appropriation	81,500	81,500	76,908	(4,592)
Miscellaneous	57,710	57,710	115,040	57,330
TOTAL MISCELLANEOUS REVENUE	165,310	165,310	214,324	49,014
TOTAL REVENUE FROM LOCAL SOURCES	2,770,470	2,770,470	3,297,890	527,420
Revenue From The Commonwealth:				
Non-Categorical Aid:				
Mobile Home Titling Tax	7,500	7,500	17,530	10,030
Rolling Stock Tax	10	10	2	(8)
Car Rental Tax	1,800	1,800	1,939	139
Financial Assistance To Police Dept.	75,000	75,000	79,780	4,780
PPTRA Tax Relief	55,000	55,000	57,392	2,392
Communications Sales & Use Tax	95,000	95,000	123,586	28,586
TOTAL NON-CATEGORICAL AID	234,310	234,310	280,230	45,920
Categorical Aid:				
Other Categorical Aid:				
Street & Highway Maintenance	424,000	424,000	439,159	15,159
Litter Grant	1,800	1,800	1,782	(18)
Fire Programs	8,800	8,800	8,327	(473)
Virginia Commission of Arts	5,000	5,000	5,000	-
Byrnes Justice Assistance Grant	2,880	2,880	2,698	(182)
VDFP Burn Building Grant	-	430,000	-	(430,000)
VDHCD CIG Micro Loan Grant	70,000	70,000	-	(70,000)
VDCR Trail Grant	81,500	81,500	-	(81,500)
VA Tobacco Comm Agri Business Grant	50,000	50,000	-	(50,000)
Safety Seats and Bicycle Helmets	-	-	2,000	2,000
VDEM Disaster Assistance	-	-	15,898	15,898
VDOT enhancement Grant	-	475,000	-	(475,000)
TOTAL CATEGORICAL AID	643,980	1,548,980	474,864	(1,074,116)
TOTAL REVENUE FROM THE COMMONWEALTH	878,290	1,783,290	755,095	(1,028,195)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT.

TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF REVENUES - BUDGET & ACTUAL
YEAR ENDED JUNE 30, 2011

SCHEDULE 1

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund: (continued)				
Revenue From The Federal Government:				
Categorical Aid:				
RD-CF Grant Police Cars	\$ 50,000	\$ -	\$ -	\$ -
RD Farmers Market Grant	99,000	99,000	-	(99,000)
COBRA Premium Assistance Payments	-	-	293	293
Emergency Response and Recovery Grant	-	-	54,198	54,198
Economic Development and Research Grant	700,000	700,000	645,056	(54,944)
Ground Transportation Systems	-	-	11,996	11,996
TOTAL CATEGORICAL AID	<u>849,000</u>	<u>799,000</u>	<u>711,543</u>	<u>(87,457)</u>
TOTAL REVENUE FROM THE FEDERAL GOVT.	<u>849,000</u>	<u>799,000</u>	<u>711,543</u>	<u>(87,457)</u>
 TOTAL GENERAL FUND	<u>\$ 4,497,760</u>	<u>\$ 5,352,760</u>	<u>\$ 4,764,528</u>	<u>\$ (588,232)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT.

TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL
YEAR ENDED JUNE 30, 2011

SCHEDULE 2

FUND, MAJOR & MINOR EXPENDITURE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Government Administration:				
Legislative:				
Town Council	\$ 65,450	\$ 55,450	\$ 64,598	\$ (9,148)
TOTAL LEGISLATIVE	65,450	55,450	64,598	(9,148)
General & Financial Administration:				
Employee Benefits	38,200	38,200	30,416	7,784
Manager	89,370	89,370	85,415	3,955
Professional Services	48,900	48,900	28,124	20,776
Treasurer	167,540	167,540	148,077	19,463
Risk Management	95,740	95,740	85,430	10,310
Data Processing	50,390	50,390	39,065	11,325
TOTAL GENERAL & FINANCIAL ADMINISTRATION	490,140	490,140	416,528	73,612
TOTAL GENERAL GOVERNMENT ADMINISTRATION	555,590	545,590	481,126	64,464
Public Safety:				
Law Enforcement & Traffic Control:				
Police Department	1,152,760	1,152,760	1,065,763	86,997
TOTAL LAW ENFORCEMENT & TRAFFIC CONTROL	1,152,760	1,152,760	1,065,763	86,997
Fire & Rescue Services:				
Volunteer Fire Department	125,080	555,080	130,368	424,712
Ambulance & Rescue Service	20,000	20,000	20,000	-
TOTAL FIRE & RESCUE SERVICES	145,080	575,080	150,368	424,712
Correction & Detention:				
Court Expense	4,000	4,000	120	3,880
TOTAL COURT EXPENSE	4,000	4,000	120	3,880

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT.

TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL
YEAR ENDED JUNE 30, 2011

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	1,301,840	1,731,840	1,216,251	515,589
Public Works:				
Maintenance of Highways, Streets, Bridges, and Sidewalks:				
General Administration	53,150	53,150	39,890	13,260
Storm Drainage	13,000	13,000	7,129	5,871
Street Maintenance	1,050,000	1,050,000	838,700	211,300
Street Lights	55,000	55,000	47,759	7,241
Snow & Ice Removal	99,900	99,900	82,530	17,370
TOTAL MAINTENANCE OF HIGHWAYS, STREETS, BRIDGES, & SIDEWALKS	1,271,050	1,271,050	1,016,007	255,043
Sanitation & Waste Removal:				
General Engineering/Administration:				
Solid Waste Removal	249,950	249,950	231,769	18,181
TOTAL SANITATION & WASTE REMOVAL	249,950	249,950	231,769	18,181
Maintenance of General Buildings and Grounds:				
General Engineering/Administration:				
General Properties	155,970	155,970	105,671	50,299
TOTAL MAINTENANCE OF GENERAL BUILDINGS & GROUNDS	155,970	155,970	105,671	50,299
TOTAL PUBLIC WORKS	1,676,970	1,676,970	1,353,447	323,523
Health and Welfare:				
Welfare Social Service:				
Property Tax Relief for Elderly	11,500	11,500	6,398	5,102
TOTAL HEALTH AND WELFARE	11,500	11,500	6,398	5,102

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT.

TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL
YEAR ENDED JUNE 30, 2011

FUND, MAJOR & MINOR EXPENDITURE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Parks, Recreation & Cultural:				
Parks & Recreation:				
Parks and Play Grounds	\$ 180,450	\$ 190,450	\$ 44,935	\$ 145,515
Swimming Pool	122,200	122,200	88,328	33,872
Cemeteries	31,230	31,230	26,453	4,777
TOTAL PARKS & RECREATION	<u>333,880</u>	<u>343,880</u>	<u>159,716</u>	<u>184,165</u>
Cultural Enrichment:				
Pro Art Association	9,150	9,150	9,150	-
The Crooked Road	4,000	4,000	2,000	2,000
Library Art Gallery	1,850	1,850	1,850	-
Appalachian Children's Theatre	5,000	5,000	2,500	2,500
Regional Library	11,450	11,450	11,450	-
TOTAL CULTURAL ENRICHMENT	<u>31,450</u>	<u>31,450</u>	<u>26,950</u>	<u>4,500</u>
TOTAL PARKS, RECREATION, & CULTURAL	<u>365,330</u>	<u>375,330</u>	<u>186,666</u>	<u>188,665</u>
Community Development:				
Planning & Community Development:				
Planning	1,439,860	2,620,448	1,169,650	1,450,798
Cumberland Airport Commission	4,000	4,000	4,000	-
Wise County IDA - The Inn	250,000	250,000	250,000	-
Miscellaneous	3,000	3,000	24,114	(21,114)
TOTAL COMMUNITY DEVELOPMENT	<u>1,696,860</u>	<u>2,877,448</u>	<u>1,447,764</u>	<u>1,429,684</u>
Debt Service:				
Principal Curtailments	165,500	165,500	58,912	106,588
Interest & Fiscal Charges	11,500	11,500	7,833	3,667
TOTAL DEBT SERVICE	<u>177,000</u>	<u>177,000</u>	<u>66,745</u>	<u>110,255</u>
TOTAL GENERAL FUND	<u>\$ 5,785,090</u>	<u>\$ 7,395,678</u>	<u>\$ 4,758,396</u>	<u>\$ 2,637,282</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT.

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

FISCAL YEAR	GENERAL PROPERTY TAXES	OTHER LOCAL TAXES	PERMITS, PRIVILEGE			REVENUE FROM				TOTAL
			FINES AND FORFEITURES	FEES & REGULATORY LICENSES	CHARGES FOR SERVICES	MISCELLANEOUS	USE OF MONEY AND PROPERTY	INTER- GOVERN- MENTAL		
2011	\$ 612,985	\$ 2,103,473	\$ 17,586	\$ 2,304	\$ 296,925	\$ 214,324	\$ 50,296	\$ 1,466,638	\$ 4,764,528	
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	
2006	511,017	1,942,507	30,013	1,281	236,402	125,933	124,091	693,506	3,664,750	
2005	519,245	1,893,677	38,705	2,159	230,724	48,996	80,520	1,338,306	4,152,332	
2004	562,320	1,788,585	56,625	2,500	214,799	44,177	52,566	617,952	3,339,524	
2003	447,783	1,497,698	42,805	1,993	191,515	44,250	60,467	528,851	2,815,362	
2002	420,691	1,379,250	28,742	1,804	167,597	46,831	147,266	523,003	2,715,184	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

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

FISCAL YEAR	GENERAL ADMINI- STRATION	PARKS,							NON DEPART- MENTAL	DEBT SERVICE	TOTAL
		PUBLIC SAFETY	PUBLIC WORKS	RECREATION AND CULTURAL	HEALTH AND WELFARE	COMMUNITY DEVELOP- MENT					
2011	\$ 481,126	\$ 1,216,251	\$ 1,353,447	\$ 186,666	\$ 6,398	\$ 1,447,764	\$ -	\$ 66,745	\$ 4,758,396		
2010	\$ 460,570	\$ 1,173,552	\$ 1,436,894	\$ 236,987	\$ 7,881	\$ 236,029	\$ -	\$ 66,745	3,884,959		
2009	424,020	1,182,865	1,680,823	259,604	6,230	264,672	-	66,745	3,580,321		
2008	406,137	1,176,522	1,475,337	182,841	7,339	265,433	-	66,712	3,224,625		
2007	420,161	1,106,967	1,360,055	173,650	6,864	90,225	-	66,703	2,966,363		
2006	398,018	1,096,462	1,179,230	133,086	11,221	81,665	-	66,681	3,610,280		
2005	359,662	1,035,880	1,855,818	153,986	7,325	131,053	-	66,556	2,740,189		
2004	343,483	882,395	1,137,226	217,901	6,926	85,800	-	66,458	4,371,356		
2003	331,910	842,969	1,037,719	1,121,189	6,626	167,101	177,989	685,853	3,359,602		
2002	306,791	830,231	839,763	566,162	6,115	458,895	285,007	66,638	3,359,602		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

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)		TOTAL TAX COLLECTIONS	PERCENT OF TOTAL TAX COLLECTIONS OF TAX LEVY		OUTSTANDING (1) DELINQUENT TAXES		PERCENT OF DELINQUENT TAXES TO TAX LEVY	
				TAX (2)	COLLECTIONS							
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%				
2006	557,210	535,995	96.19%	6,797	554,941	99.59%	34,462	6.18%				
2005	544,263	531,971	97.74%	19,437	555,432	102.05%	40,692	7.48%				
2004	546,013	510,227	93.45%	2,182	534,153	97.83%	51,222	9.38%				
2003	477,670	454,352	95.12%	(32,459)	477,768	100.02%	41,370	8.66%				
2002	474,320	435,489	91.81%	(3,968)	450,384	94.95%	88,496	18.66%				

Notes:

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

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

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		
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
2006	3,255	191,153	555,718	-	90,439	465,279	0.0024	142.94
2005	3,255	185,152	761,174	-	196,642	564,532	0.0030	173.44
2004	3,255	185,152	761,174	-	196,642	564,532	0.0030	173.44
2003	3,255	187,534	859,237	-	247,448	611,789	0.0033	187.95
2002	3,255	157,996	920,234	-	287,561	632,673	0.0040	194.37

Notes:

- (1) Bureau of Census.
(2) Includes all long-term general obligation debt.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

TOWN OF WISE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR TOWN
DEFINED PENSION BENEFIT PLAN
JUNE 30, 2011

VALUATION DATE	ACTUARIAL VALUE OF ASSETS (AVA)	UNFUNDED ACTUARIAL		FUNDING RATIO (2) / (3)	ANNUAL COVERED PAYROLL	UAAAL AS % OF PAYROLL (4) / (6)
		ACTUARIAL ACCUMULATED LIABILITY (AAL)	ACTUARIAL ACCUMULATED LIABILITY (UAAAL) (3) - (2)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2010	\$6,633,330	\$7,355,993	\$722,663	90.18%	\$1,936,727	37.31%
June 30, 2009	\$6,429,770	\$6,224,432	(\$205,338)	103.30%	\$1,902,844	-10.79%
June 30, 2008	\$6,127,047	\$5,766,420	(\$360,627)	106.25%	\$1,854,239	-19.45%
June 30, 2007	\$5,407,812	\$4,990,802	(\$417,010)	108.36%	\$1,816,389	-22.96%
June 30, 2006	\$4,689,291	\$4,130,178	(\$559,113)	113.54%	\$1,649,707	-33.89%
June 30, 2005	\$4,309,318	\$3,857,653	(\$451,665)	111.71%	\$1,519,336	-29.73%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT.

TOWN OF WISE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

FEDERAL GRANTING AGENCY/RECEIPT STATE AGENCY/ GRANT PROGRAM/GRANT NUMBER	FEDERAL CATALOGUE NUMBER	EXPENDITURES
Department of Agriculture		
Department of Housing and Community Development		
Pass through payments		
** Rural Community Development Initiative	10.446	\$ 645,056
Department of Justice		
Department of Motor Vehicles		
Pass through payments		
Edward Byrne Memorial Justice Assistance Grant	16.738	11,996
Department of Homeland Security		
Department of Emergency Services		
Pass through payments	97.039	54,198
Hazard Mitigation Grant		
Department of Labor		
Employee Benefits Security Administration		
Direct payment		
EBSA Recovery	17.151	293
Total Federal Expenditures		\$ 711,543
** Major Program		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT.

TOWN OF WISE VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Section I - Summary of Auditor's Results
Financial Statements

Type of Auditor's reports issued:	Unqualified
Internal Control over financial reporting:	
Material weaknesses identified?	No
Significant Defienencies 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:	Unqualified
Internal control over major problems:	
Material weaknesses identified?	No
Significant Defienencies identified not considered to be material weaknesses?	None Reported
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No
Identification of major program:	
CFDA # 10.446 Type Rural Community Development	
Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	YES

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

TOWN OF WISE, VIRGINIA
SCHEDULE OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED JUNE 30, 2011

SCHEDULE 11

Legal Debt Limit	
10% of Assessed Value Of Taxable Real Estate (Including Public Utility Real Estate) (\$200,739,137 x .10)	\$ 20,073,914
Deduct	
Bonds Payable	<u>188,274</u>
Legal Margin For Creation Of Additional Debt	<u><u>\$ 19,885,640</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT.

TOWN OF WISE
SCHEDULE OF FUND BALANCES - GASB 54
June 30, 2011

Fund Balances:

Nonspendable:

Cemetery Saving	\$ 354,150
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Restricted for:

Debt Service and Bond Covenants	188,274
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Unassigned:

	<u>3,588,732</u>
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Fund Balance June 30, 2011

	<u><u>\$4,131,156</u></u>
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT.

COMPLIANCE

LARRY D. STURGILL, P. C.

LARRY D. STURGILL

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS

CERTIFIED PUBLIC ACCOUNTANT
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MEMBER
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AND AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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

Council Members:

I have audited the financial statements of the governmental activity and the business-type activity of the Town of Wise, Virginia as of and for the year ended June 30, 2011, and have issued my report thereon dated January 7, 2012, which collectively comprise the Town of Wise, Virginia's basic financial statements. I conducted my 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 with the *Specifications for Audit of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Wise, Virginia's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Wise, Virginia's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Wise, Virginia's internal control over financial reporting.

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

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 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.

My consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the Town of Wise, Virginia's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, town council, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Larry D. Sturgill
Certified Public Accountant
January 7, 2012

LARRY D. STURGILL, P. C.

LARRY D. STURGILL

MEMBER
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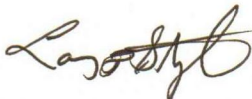
email: lsturgill@larrydsturgillcpa.com

INDEPENDENT AUDITOR'S COMMENTS ON RESOLUTION
OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

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

Council Members:

I have reviewed the prior year report during the course of this audit to determine if the Town of Wise, Virginia has implemented adequate corrective action with respect to previously reported audit findings. Corrective actions were not necessary because no prior period audit findings existed.



Larry D. Sturgill
Certified Public Accountant
Wise, Virginia
January 7, 2012

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