



## AUDIT REPORT

JUNE 30, 2023

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JUNE 30, 2023**

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## **INTRODUCTORY SECTION**

MEMBERS OF COUNCIL

Teresa H. Adkins, Mayor

Robin Dotson

Caynor A. Smith, Jr.

Jeffery Dotson

Ben Conway

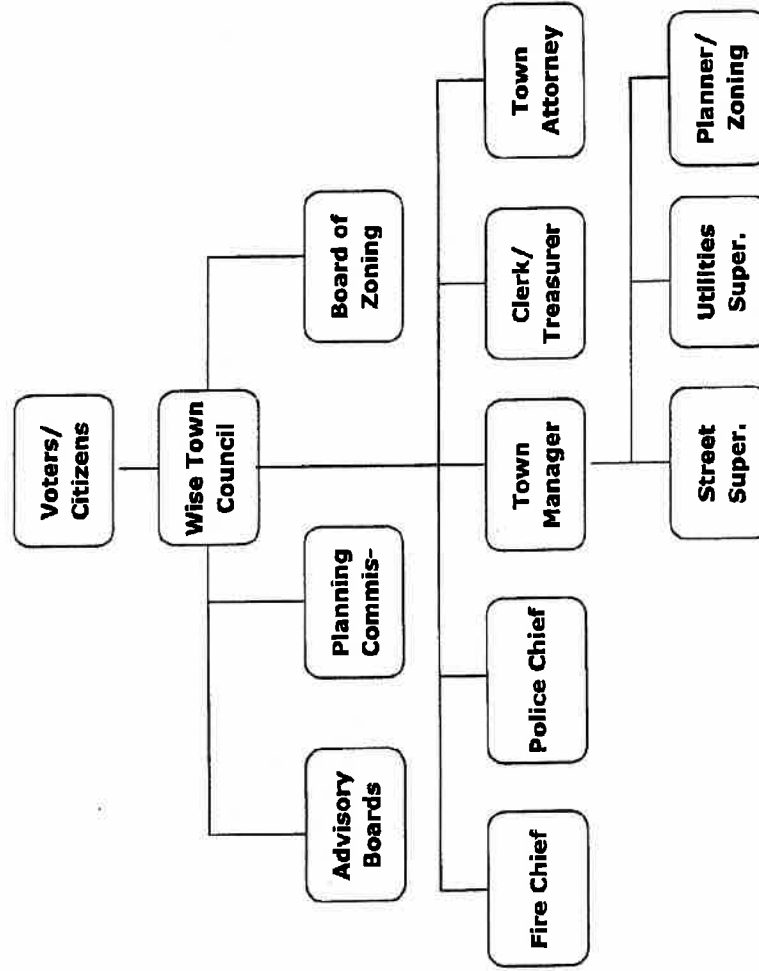
OTHER TOWN OFFICIALS

Laura Roberts, Town Manager

Sarina Collins, Town Treasurer

Danny French, Chief of Police

# Town of Wise Organizational Chart



# LARRY D. STURGILL, P. C.

LARRY D. STURGILL

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities and the business-type activities, of the Town of Wise, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Wise, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Wise, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Wise, Virginia's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Wise, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-11 and 70-75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Wise, Virginia's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Also, the accompanying pension and other post-employment benefit (OPEB) schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and

The Honorable Members of Town Council  
Town of Wise  
Wise, Virginia 24293  
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certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, the pension schedules, and OPEB schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

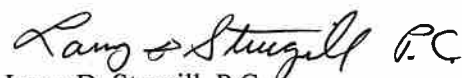
Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2023, on our consideration of the Town of Wise, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Wise, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Wise, Virginia's internal control over financial reporting and compliance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

  
Larry D. Sturgill, P.C.  
Wise, Virginia  
November 21, 2023



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

As management of the Town, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2023. I encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal in the Introductory Section of this report, and the Town's financial statements which follow this discussion and analysis.

**Financial Highlights**

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$34,082,187 (net position). Of this amount, \$7,925,358 (unrestricted) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$3,484,734 of which the governmental activities increased by \$3,240,944 and business-type activities increased by \$243,790.
- As of the close of the current fiscal year; the Town's general fund reported an ending fund balance of \$9,737,597, an increase of \$1,115,403 in comparison with the prior year. \$6,013,983 of this total amount is available for spending at the Town's discretion (unassigned fund balance).
- Unassigned fund balance for the general fund was \$6,013,983, or 95% percent of total general fund expenditures and 80% of total general fund revenues.
- The Town's total debt decreased by \$92,246 during the current fiscal year.

**Overview of the Financial Statements**

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

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

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

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

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

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

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

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

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

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

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

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

## Financial Analysis of the Town

Changes in net position may serve over time as a useful indicator of a Town's financial position. Of interest, the Town's assets and deferred outflows exceeded liabilities and deferred inflows by \$34,082,187 at the close of fiscal year 2023.

The largest portion of the Town's net position ( \$22,218,761; 65 percent of the total) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide service to citizens: consequently, these assets are *not* available for future spending, as capital assets are generally not sold or otherwise disposed of during their useful life. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Government-Wide Financial Analysis

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

	<u>Primary Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
<b><u>ASSETS &amp; DEFERRED OUTFLOWS:</u></b>		
Current and other assets	\$15,407,873	\$ 13,160,860
Capital assets, net	23,568,075	21,783,660
Other Noncurrent assets	800,455	1,081,021
Deferred Outflows	<u>572,120</u>	<u>873,370</u>
<b>Total assets &amp; deferred outflows</b>	<u>40,348,523</u>	<u>36,898,911</u>
<b><u>LIABILITIES &amp; DEFERRED INFLOWS:</u></b>		
Current liabilities	471,266	1,034,330
Long-term liabilities outstanding	2,377,012	2,133,161
Deferred Inflows	<u>3,418,058</u>	<u>3,133,967</u>
<b>Total liabilities &amp; deferred inflows</b>	<u>6,266,336</u>	<u>6,301,458</u>
<b><u>NET POSITION:</u></b>		
Net investment in capital assets	22,218,761	20,342,100
Restricted	4,538,068	3,080,101
Unrestricted	<u>7,325,358</u>	<u>7,175,252</u>
<b>Total net position</b>	<u>34,082,187</u>	<u>30,597,453</u>
<b>Total Liabilities, Deferred Inflows, And Net Position</b>	<u>\$40,348,523</u>	<u>\$36,898,911</u>

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

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

Governmental Activities – Primary Governmental activities increased the Town’s net position by \$3,484,734. Key elements of this increase are as follows:

<b>Town of Wise, Virginia’s Change in Net Position</b>		
	<b><u>Primary Governmental Activities</u></b>	
	<b><u>2023</u></b>	<b><u>2022</u></b>
<b>REVENUES:</b>		
<b>Program revenues:</b>		
Charges for services	\$ 3,668,444	\$ 3,290,950
Grants and contributions	2,796,529	1,541,101
<b>General Revenues:</b>		
Property taxes	898,130	784,889
Other Local taxes	3,008,133	2,596,105
Other	588,187	217,120
<b>TOTAL REVENUES</b>	<b><u>\$10,959,423</u></b>	<b><u>\$ 8,430,165</u></b>
<b>EXPENSES:</b>		
General government	\$ 583,050	\$ 562,126
Public safety	1,318,172	1,293,003
Public works	1,708,161	1,646,957
Health and welfare	5,003	5,000
Parks, recreation and culture	411,363	387,063
Community development	184,783	535,888
Interest Expense	-	-
Water and Sewer	3,264,157	2,712,680
<b>TOTAL EXPENSES</b>	<b><u>\$ 7,474,689</u></b>	<b><u>\$ 7,142,717</u></b>
 <b>Increase (decrease) in net position</b>	 <b>\$ 3,484,734</b>	 <b>\$ 1,287,448</b>
Net position – June 30, 2022	<u>30,597,453</u>	<u>29,310,005</u>
Net position – June 30, 2023	<u><b>\$ 34,082,187</b></u>	<u><b>\$30,597,453</b></u>

## Financial Analysis of the Town's Funds

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

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

At the end of the current fiscal year, the Town's *governmental fund* reported an ending fund balance of \$9,751,596, an increase of \$1,115,976 in comparison with the prior year. \$3,230,671 (33%) is classified as restricted to indicate that it can only be spent for specific purposes as stipulated by external resource providers (for example, through debt covenants, grant agreements, or by laws or regulations of other governments. Fifty-three percent of this total amount, \$6,013,983, constitutes *unassigned fund balance*. Unassigned fund balances are technically available for any remaining purpose, but are maintained at targeted levels in accordance with sound financial management practices.

The General Fund is the operating fund of the Town (Exhibit 3). The General Fund's balance increased \$1,115,403 during fiscal year 2023 to \$9,737,597, of which \$6,013,983 is unassigned. As one measure of the General Fund's liquidity, it is useful to compare the total of the Town's assigned and unassigned fund balances to total revenues. At the end of fiscal year 2023, the General Fund's assigned and unassigned fund balances of \$9,737,597 represents (130%) of total General Fund revenues of \$7,478,420. In addition, General Fund's unassigned fund balance totaled \$6,013,983 and continues to exceed the 10% minimum set by the Town's fund balance policy. The \$1,115,403 fiscal year 2023 increase in the General Fund's fund balance resulted from General Fund revenues of \$7,478,420 less expenditures of \$6,363,017, and was primarily the result of expenditure increase on public works/streets projects as shown on Exhibit 4 to the financial statements.

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

## Governmental Fund Budgetary Highlights

Differences between the budgeted and the actual amounts represent expenditures being \$6,315,782 lower than anticipated, while revenues were \$5,199,806 lower than anticipated, resulting in a favorable difference of \$1,115,976 (the net change in fund balance).

## Capital Asset and Debt Administration

**Capital assets:** The Town's investment in capital assets for its primary governmental activities as of June 30, 2023 amounts to \$22,218,761, net of related debt and accumulated depreciation. This investment is in land, buildings and improvements, infrastructure, and machinery and equipment. The total increase in the Town's investment in capital assets, net of depreciation, for all funds in the current fiscal year was \$1,876,661.



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

**Primary  
Governmental Activities**

	<b><u>2023</u></b>	<b><u>2022</u></b>
Land	\$ 2,304,766	\$ 2,287,892
Buildings and Building Improvements	3,531,199	3,309,713
Infrastructure	33,666,953	31,519,387
Equipment	<u>5,919,338</u>	<u>5,372,071</u>
Total	45,422,256	42,489,063
Less: accumulated depreciation	<u>(21,854,181)</u>	<u>(20,705,401)</u>
Net capital assets	<u>\$23,568,075</u>	<u>\$ 21,783,662</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 \$1,349,314, in addition to claims, judgments, and compensated absences of \$86,604. Of this amount, \$1,349,314 comprises debt backed by the full faith and credit of the Town.

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

During the current fiscal year, the Town's total primary government debt decreased by \$92,246.

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

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

The June 2023 unemployment rate for the local area was 4.3% percent, which is an increase from a rate of 3.9% a year ago. This is higher than the state's average unemployment rate of 2.8% by 1.5 percent and higher than the national average rate of 3.8% by 0.5 percent.

All of these factors were considered in preparing the Town's budget for the 2023 fiscal year.

**Rates**

The appropriate tax rates for the 2022-2023 year are as follows: .30 per \$100 value for real estate, mobile home taxes, and public utilities real estate, .63 per \$100 value for personal property, machinery and tools, and public service personal property.

### **Request for Information**

This financial report is designed to provide a general overview of the Town of Wise, Virginia's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Laura Roberts, P.O. Box 1100, Wise, Virginia 24293.

**TOWN OF WISE, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total Primary</u>
	<u>Activities</u>	<u>Activities</u>	<u>Governmental</u>
			<u>Activities</u>
<b>ASSETS</b>			
Current assets:			
Cash and Cash Equivalents	\$ 8,152,383	\$ 2,201,649	\$ 10,354,032
Receivables, net			
Taxes	354,216	-	354,216
Accounts	54,003	549,542	603,545
Other	1,335	-	1,335
Due from Other Governmental Units	855,852	-	855,852
Restricted Cash	3,137,613	101,280	3,238,893
Total current assets	<u>12,555,402</u>	<u>2,852,471</u>	<u>15,407,873</u>
Noncurrent assets:			
Restricted cash	-	800,455	800,455
Capital assets:			
Land, non-depreciable improvements, and			
construction in progress	1,991,892	312,874	2,304,766
Other capital assets, net of depreciation	12,187,009	9,076,300	21,263,309
Total capital assets	<u>14,178,901</u>	<u>9,389,174</u>	<u>23,568,075</u>
Total assets	<u>26,734,303</u>	<u>13,042,100</u>	<u>39,776,403</u>
<b>DEFERRED OUTFLOWS</b>			
Pension Plan	283,586	181,309	464,895
OPEB	92,449	14,776	107,225
Total deferred outflows	<u>376,035</u>	<u>196,085</u>	<u>572,120</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	124,216	91,438	215,654
Accrued liabilities and wages	35,702	15,646	51,348
Compensated Absences	5,425	3,236	8,661
Customer deposits	-	101,280	101,280
General Obligation Bonds Payable	-	94,323	94,323
Total current liabilities	<u>165,343</u>	<u>305,923</u>	<u>471,266</u>
Noncurrent liabilities:			
Noncurrent Portion of Compensated Absences	48,822	29,121	77,943
Other Post Employment Benefit Liability	658,257	48,415	706,672
Net Pension Liability	200,932	128,465	329,397
Accrued Interest	-	8,009	8,009
Noncurrent Portion of Long-term Obligation	-	1,254,991	1,254,991
Total noncurrent liabilities	<u>908,011</u>	<u>1,469,001</u>	<u>2,377,012</u>
Total liabilities	<u>1,073,354</u>	<u>1,774,924</u>	<u>2,848,278</u>
<b>DEFERRED INFLOWS</b>			
ARPA	2,616,672	-	2,616,672
Pension Plan	427,655	273,418	701,073
OPEB	84,584	15,729	100,313
Total deferred inflows	<u>3,128,911</u>	<u>289,147</u>	<u>3,418,058</u>
<b>NET POSITION</b>			
Net investment in capital assets	14,178,901	8,039,860	22,218,761
Restricted-cemetery savings	506,942	-	506,942
Restricted-American Rescue Plan Act	2,616,672	-	2,616,672
Restricted-debt reserves	-	800,455	800,455
Restricted - VRS Reserves	600,000	-	600,000
Restricted-asset forfeiture	13,999	-	13,999
Unrestricted	4,991,559	2,333,799	7,325,358
Total net position	<u>\$ 22,908,073</u>	<u>\$ 11,174,114</u>	<u>\$ 34,082,187</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF WISE, VIRGINIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
					Primary Government		

The accompanying notes are an integral part of the financial statements

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF WISE, VIRGINIA  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2023**

	General Fund	Special Revenue Funds	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,152,383	\$ -	\$ 8,152,383
Receivables, net:			
Taxes	354,216	-	354,216
Accounts	54,003	-	54,003
Other	1,335	-	1,335
Due from other governments	855,852	-	855,852
Restricted cash	3,123,614	13,999	3,137,613
Total assets	<u>12,541,403</u>	<u>13,999</u>	<u>12,555,402</u>
<b>LIABILITIES</b>			
Accounts payable	124,216	-	124,216
Accrued payroll and related liabilities	35,702	-	35,702
Total liabilities	<u>159,918</u>	<u>-</u>	<u>159,918</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	27,216	-	27,216
American Rescue Plan Act Funds	2,616,672	-	2,616,672
Total deferred inflows of resources	<u>2,643,888</u>	<u>-</u>	<u>2,643,888</u>
<b>FUND BALANCES</b>			
Nonspendable for cemetery	506,942	-	506,942
Restricted for American Rescue Plan Act	2,616,672	-	2,616,672
Restricted - VRS Reserves	600,000	-	600,000
Restricted for asset forfeiture	-	13,999	13,999
Unassigned funds	6,013,983	-	6,013,983
Total fund balances	<u>9,737,597</u>	<u>13,999</u>	<u>9,751,596</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,541,403</u>	<u>\$ 13,999</u>	<u>\$ 12,555,402</u>

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

Total Fund Balances \$ 9,751,596

Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds. The cost of the assets is \$24,843,821 and the accumulated depreciation is \$10,664,920

14,178,901

Because the focus of governmental funds is on current resources, some inflows/outflows of resources are recognized in future periods and are not included in the governmental funds.

(108,988)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year end consisted of the following:

Other Post Employment Liability	(658,257)	
Compensated absences	(54,247)	
Net pension liability	(200,932)	<u>(913,436)</u>

**Net Position of Governmental Activities** \$ 22,908,073

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

**TOWN OF WISE, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**EXHIBIT 4**

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Total</b>
<b>REVENUES</b>			
General property taxes	\$ 888,851	\$ -	\$ 888,851
Other local taxes	2,844,467	-	2,844,467
Permits, privilege fees and regulatory licenses	775	-	775
Fines and forfeitures	3,992	-	3,992
Revenue from the use of money and property	392,231	-	392,231
Charges for services	317,205	-	317,205
Miscellaneous	196,918	23,500	220,418
Intergovernmental	<u>2,833,981</u>	-	<u>2,833,981</u>
Total revenues	<u>7,478,420</u>	<u>23,500</u>	<u>7,501,920</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	599,933	-	599,933
Public safety	1,311,133	7,531	1,318,664
Public works	3,757,143	-	3,757,143
Health & Welfare	5,003	-	5,003
Parks, recreation and cultural	498,546	-	498,546
Community development	146,932	-	146,932
Debt Service:			
Principal Retirement	-	-	-
Interest	-	-	-
Total expenditures	<u>6,318,690</u>	<u>7,531</u>	<u>6,326,221</u>
Excess (deficiency) of revenues over expenditures	<u>1,159,730</u>	<u>15,969</u>	<u>1,175,699</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Loan proceeds	-	-	-
Operating transfers	<u>(44,327)</u>	<u>(15,396)</u>	<u>(59,723)</u>
Total other financing sources (uses)	<u>(44,327)</u>	<u>(15,396)</u>	<u>(59,723)</u>
Net change in fund balance	1,115,403	573	1,115,976
Fund balance - beginning	<u>8,622,194</u>	<u>13,426</u>	<u>8,635,620</u>
Fund balance - ending	<u>\$ 9,737,597</u>	<u>\$ 13,999</u>	<u>\$ 9,751,596</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF WISE, VIRGINIA  
RECONCILIATION OF STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2023**

**EXHIBIT 5**

**General  
Fund**

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

Net Change in Fund Balance- total governmental fund	\$ 1,115,976
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Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation in the period.	1,990,213
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Because some property taxes will not be collected for several months after the Town's year end, they are not considered as "available" revenues in the governmental funds. Deferred tax revenue increased by this amount this year.	9,279
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In the statement of activities, revenues that do not provide current financial resources and expenses that are not paid by current resources are not reported in the fund statements.	125,018
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In the statement of activities, compensated absences are measured by the amounts earned during the year. In governmental funds however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.	458
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Total change in net position of governmental activities	\$ 3,240,944
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The accompanying notes are an integral part of the financial statements.



**TOWN OF WISE, VIRGINIA  
COMBINED STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2023**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Combined Totals 2023</b>
<b>ASSETS</b>			
Current assets:			
Cash & cash equivalents	\$ 977,248	\$ 1,224,401	\$ 2,201,649
Receivables, net	289,104	260,438	549,542
Due from other Governmental Units	-	-	-
Restricted cash	101,280	-	101,280
Total current assets	<u>1,367,632</u>	<u>1,484,839</u>	<u>2,852,471</u>
Noncurrent Assets:			
Restricted cash	800,455	-	800,455
Capital assets, depreciable, net	8,278,910	797,390	9,076,300
Capital assets, non-depreciable	226,624	86,250	312,874
Total noncurrent assets	<u>9,305,989</u>	<u>883,640</u>	<u>10,189,629</u>
Total assets	<u>10,673,621</u>	<u>2,368,479</u>	<u>13,042,100</u>
<b>DEFERRED OUTFLOWS</b>			
Pension Plan	120,873	60,436	181,309
Other Postemployment Benefits	9,851	4,925	14,776
Total deferred outflows	<u>130,724</u>	<u>65,361</u>	<u>196,085</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	29,533	61,905	91,438
Accrued wages and liabilities	10,323	5,323	15,646
Customer deposits	101,280	-	101,280
Compensated absences-current	1,678	1,558	3,236
General obligation bonds payable-current	94,323	-	94,323
Total current liabilities	<u>237,137</u>	<u>68,786</u>	<u>305,923</u>
Noncurrent liabilities:			
Compensated Absences-noncurrent	15,100	14,021	29,121
Net OPEB Liability	32,277	16,138	48,415
Net Pension Liability	85,643	42,822	128,465
Accrued interest	8,009	-	8,009
General obligation bonds payable-noncurrent	1,254,991	-	1,254,991
Total noncurrent liabilities	<u>1,396,020</u>	<u>72,981</u>	<u>1,469,001</u>
Total liabilities	<u>1,633,157</u>	<u>141,767</u>	<u>1,774,924</u>
<b>DEFERRED INFLOWS</b>			
Advanced Utility Collections	-	-	-
Pension Plan	182,279	91,139	273,418
Other Postemployment Benefits	10,486	5,243	15,729
Total deferred inflows	<u>192,765</u>	<u>96,382</u>	<u>289,147</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,156,220	883,640	8,039,860
Restricted-debt reserves	800,455	-	800,455
Unrestricted	1,021,748	1,312,051	2,333,799
Total net position	<u>\$ 8,978,423</u>	<u>\$ 2,195,691</u>	<u>\$ 11,174,114</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF WISE, VIRGINIA**  
**COMBINED STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Combined Totals 2023</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,696,399	\$ 1,610,245	\$ 3,306,644
Connection charges	37,353	3,250	40,603
Miscellaneous	<u>74,553</u>	<u>5,993</u>	<u>80,546</u>
<b>Total operating revenues</b>	<u>1,808,305</u>	<u>1,619,488</u>	<u>3,427,793</u>
<b>OPERATING EXPENSES</b>			
Personnel services	687,892	370,524	1,058,416
Fringe benefits	335,015	96,955	431,970
Contractual services	34,926	38,315	73,241
Utilities & Telephone	83,214	13,953	97,167
Materials & Supplies	187,065	60,283	247,348
Other charges	65,599	661,593	727,192
Depreciation	<u>268,276</u>	<u>335,224</u>	<u>603,500</u>
<b>Total operating expenses</b>	<u>1,661,987</u>	<u>1,576,847</u>	<u>3,238,834</u>
<b>Operating income (loss)</b>	<u>146,318</u>	<u>42,641</u>	<u>188,959</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Miscellaneous Income	8,420	-	8,420
Interest Income/(Expense)	(13,312)	-	(13,312)
Gain (Loss) on Sale of Assets	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total nonoperating revenue (expenses)</b>	<u>(4,892)</u>	<u>-</u>	<u>(4,892)</u>
<b>Income (loss) before contributions and transfers</b>	141,426	42,641	184,067
Operating Transfer In/(Out)	59,723	-	59,723
Contribution from Other Governmental Units	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in net position</b>	201,149	42,641	243,790
<b>Total net position, beginning</b>	<u>8,777,274</u>	<u>2,153,050</u>	<u>10,930,324</u>
<b>Total net position, ending</b>	<u>\$ 8,978,423</u>	<u>\$ 2,195,691</u>	<u>\$ 11,174,114</u>

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

**TOWN OF WISE, VIRGINIA  
COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Combined Total 2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 1,675,206	\$ 1,550,482	\$ 3,225,688
Cash payments to suppliers	(366,061)	(732,095)	(1,098,156)
Cash payments to employees	(1,046,795)	(489,519)	(1,536,314)
Other operating revenues	74,553	5,993	80,546
Net cash provided (used) by operating activities	336,903	334,861	671,764
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Penalties and interest charges	-	-	-
Increase (decrease) in customer deposits	160	-	160
Net cash provided (used) by noncapital financing activities	160	-	160
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(291,774)	(105,929)	(397,703)
Loan proceeds	-	-	-
Principal paid on revenue bond	(92,246)	-	(92,246)
Interest paid on revenue bonds	(33,743)	-	(33,743)
Interfund transfer	59,723	-	59,723
Sale of Equipment	-	-	-
Contributions and Grants	-	-	-
Net cash provided (used) by capital and related financing activities	(358,040)	(105,929)	(463,969)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends on investments	20,431	-	20,431
Net cash provided (used) by investing activities	20,431	-	20,431
Net increase (decrease) in cash and cash equivalents	(546)	228,932	228,386
Cash balances, beginning	1,879,529	995,469	2,874,998
Cash balances, ending	\$ 1,878,983	\$ 1,224,401	\$ 3,103,384

Disclosure of Accounting Policy

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

**TOWN OF WISE, VIRGINIA  
COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2023**

**EXHIBIT 8  
Page 2**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total 2023</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 146,318	\$ 42,641	\$ 188,959
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	268,276	335,224	603,500
Change in Assets & Liabilities:			
(Increase) decrease in accounts receivable	(58,546)	(63,013)	(121,559)
Increase (Decrease) in accounts payable	4,743	42,049	46,792
Increase (Decrease) in accrued wages & liabilities	2,406	892	3,298
Increase (Decrease) in accrued vacation	4,884	1,453	6,337
Increase (Decrease) in deferred Utility Revenue	-	-	-
Increase (Decrease) in net pension liability	152,979	79,296	232,275
Increase (Decrease) in net OPEB liability	5,340	1,547	6,887
Increase (Decrease) in pension plan deferrals	(182,754)	(101,550)	(284,304)
Increase (Decrease) in OPEB deferrals	(6,743)	(3,678)	(10,421)
Total adjustments	<u>190,585</u>	<u>292,220</u>	<u>482,805</u>
Net cash provided by operating activities	<u>\$ 336,903</u>	<u>\$ 334,861</u>	<u>\$ 671,764</u>

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

## **NOTES TO FINANCIAL STATEMENTS**

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

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

**A.      Reporting Entity**

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

**B.      Basis of Presentation**

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

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

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

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

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

The government reports the following major governmental funds:

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

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

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

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

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

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

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

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

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

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

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

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

**D. Budgets and Budgetary Accounting**

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

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

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



**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

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

**E.      Encumbrances**

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

**F.      Property, Plant and Equipment**

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

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

**G.      Leases**

The Town may lease various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial assets. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. As of June 30, 2023, the Town of Wise, Virginia had no leases.

**Lessee**

The Town recognizes lease liabilities and intangible right-to-use lease assets (lease assets) with an initial value of \$5,000, individually or in the aggregate in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

**Key Estimates and Judgments**

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Town uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability (lessee).

The Town monitors changes in circumstances that would require remeasurement or modification of its leases. The Town will remeasure the lease asset and liability (lessee) if certain changes occur that are expected to significantly affect the amount of the lease liability or lease receivable.

**H. Allowance for Uncollectible Accounts**

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$75,749 at June 30, 2022, and is composed of the following:

	<u>Amount</u>
<u>General Fund:</u>	
Property Tax Receivable	\$ 13,497
Garbage Receivable	4,347
<u>Water Fund:</u>	
Accounts Receivable	28,967
<u>Sewer Fund:</u>	
Accounts Receivable	28,938
TOTAL	<u>\$ 75,749</u>

**TOWN OF WISE, VIRGINIA**  
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**NOTE 2:      CASH AND INVESTMENTS**

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

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

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

**NOTE 3:      PROPERTY TAXES RECEIVABLE**

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

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

	<u>Amount</u>	<u>Total</u>
<u>Treasurer of Wise County:</u>		
Sales Tax	\$ 26,367	
Wise County Clerk of Court	1,094	
Coal Road Improvement	<u>4,254</u>	
Total Treasurer of Wise County		\$ 31,715
 <u>Commonwealth of Virginia:</u>		
Miscellaneous Taxes	77,705	
Department of Transportation	<u>55,475</u>	
Total Commonwealth of Virginia		133,180
 <u>Federal Agencies:</u>		
Department of Transportation	673,457	
Department of Agriculture	<u>17,500</u>	
Total Federal Agencies		<u>690,957</u>
 TOTAL DUE		<u>\$ 855,852</u>

**TOWN OF WISE, VIRGINIA**  
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**NOTE 5: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town currently has deferred outflows totaling \$572,120 as of June 30, 2023 which is comprised of \$464,895 for pensions and \$107,225 for other post-employment benefits (OPEB).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has deferred inflows totaling \$3,445,274 as of June 30, 2023. \$27,216 of that amount includes uncollected tax billings not available for funding of current expenditures, \$701,073 represents the amounts that will be recognized in future periods for pensions, \$100,313 represents amounts that will be recognized in future periods for OPEB, and \$2,616,672 represents amounts that will be recognized in future periods from American Rescue Plan Act revenue.

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

A summary of changes in general fixed assets follows:

	BEGINNING	ADDITIONS	DELETIONS	ENDING
Land, non-depreciable	\$ 1,991,893	\$ -	\$ -	\$ 1,991,893
Buildings	2,832,022	23,632	-	2,855,654
Infrastructure	13,783,345	2,107,782	-	15,891,127
Equipment	3,701,070	404,373	296	4,105,147
<b>TOTAL</b>	<b>22,308,330</b>	<b>2,535,787</b>	<b>296</b>	<b>24,843,821</b>
Less: Accumulated Depreciation				(10,664,920)
<b>NET</b>				<b>\$14,178,901</b>

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

General government	\$ 8,979
Public Safety	81,281
Public Works	331,451
Parks, Recreation, & Cultural	58,306
Community Development	65,527
<b>Total depreciation expense</b>	<b>\$ 545,544</b>

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

A summary of proprietary fund property, plant and equipment at June 30, 2023 follows:

				<b>Water</b>	<b>Sewer</b>
Land				\$ 226,624	\$ 86,250
Buildings				401,448	274,097
Improvements other than Buildings				12,903,852	4,871,972
Equipment				1,157,038	657,154
<b>TOTAL</b>				<b>14,688,962</b>	<b>5,889,473</b>
Less: Accumulated Depreciation				(6,183,428)	(5,005,833)
<b>NET</b>				<b>\$ 8,505,534</b>	<b>\$ 883,640</b>

**NOTE 8:      LONG-TERM DEBT**

**Details of Long-Term Indebtedness:**

	<u>AMOUNT OUTSTANDING</u>
<b>GOVERNMENTAL FUND:</b>	
Total Compensated Absences	\$ 54,247
Total Governmental Long-term Obligation Debt	<u>\$ 54,247</u>
<b>ENTERPRISE FUND:</b>	
General Obligation Bonds:	
A \$1,204,200 General Obligation Refunding Bond was issued August 4, 2016 through Powell Valley National Bank at a rate of 2.25% per year. Semi-annual installments of combined principal and interest in the amount averaging \$47,500 shall be payable beginning on February 1, 2017.	\$ 731,300
A \$750,000 General Obligation Water Bond was issued April 26, 2011, through Rural Development Authority at a rate of 2.50% per year. Interest only shall be payable on August 9, 2012, and August 9, 2013. Monthly installments of combined principal and interest in the amount of \$2,550 shall be payable beginning on September 9, 2013.	<u>618,014</u>
Total General Obligation Bonds	1,349,314
Total Compensated Absences	<u>32,357</u>
Total Enterprise Long-term obligation Debt	<u>\$ 1,381,671</u>

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

**Changes in Long-Term Debt:**

The following is a summary of long-term debt transactions of the Town for the Year ended June 30, 2023:

<u>Primary Government</u>	<u>7/1/2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2023</u>	<u>One Year</u>
<u>Governmental Activities:</u>					
N/A	\$ -	\$ -	\$ -	\$ -	\$ -
Total Governmental Activities	-	-	-	-	-
<u>Business-Type Activities:</u>					
General Obligation Refunding-Series 2016	808,600	-	77,300	731,300	79,000
General Obligation Bond-Series 2011B	632,960	-	14,946	618,014	15,323
Total Business-Type Activities	1,441,560	-	92,246	1,349,314	94,323
Total Primary Government	\$ 1,441,560	\$ -	\$ 92,246	\$ 1,349,314	\$ 94,323

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

<u>Bonds and Notes Payable</u>			
<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>			
2024	\$ 94,323	\$ 31,289	\$ 125,612
2025	96,511	29,114	\$ 125,625
2026	98,708	26,888	\$ 125,596
2027	101,016	24,612	\$ 125,628
2028	103,333	22,282	\$ 125,615
2029-2033	409,310	76,163	\$ 485,473
2034-2038	103,454	49,546	\$ 153,000
2039-2043	117,213	35,787	\$ 153,000
2044-2048	132,803	20,197	\$ 153,000
2049-2053	92,643	3,798	\$ 96,441
2054-2058	-	-	\$ -
TOTALS	<u>\$ 1,349,314</u>	<u>\$ 319,676</u>	<u>\$ 1,668,990</u>

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

Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town of Wise, Virginia's Retirement Plan and the additions to/deductions from the Town's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description – All full-time, salaried permanent employees of the Town are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer are paying contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

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

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



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		must select Plan 1 or Plan 2 (as applicable) or ORP.
<p><b>Retirement Contributions</b>  Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b>  Same as Plan 1.</p>	<p><b>Retirement Contributions</b>  A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p><b>Service Credit</b>  Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Service Credit</b>  Same as Plan 1</p>	<p><b>Service Credit</b>  <u><b>Defined Benefit Component:</b></u>  Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>

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		<p><b><u>Defined Contributions Component:</u></b>  Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>
<p><b>Vesting</b>  Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b>  Same as Plan 1</p>	<p><b>Vesting</b>  <b><u>Defined Benefit Component:</u></b>  Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><b><u>Defined Contributions Component:</u></b>  Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> </ul>

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		<ul style="list-style-type: none"> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required, except as governed by law.</p>
<p><b>Calculating the Benefit</b>  The Basic Benefit is determined using the average final compensation, service credit and plan multiplier.</p> <p>An early retirement reduction factor is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>	<p><b>Calculating the Benefit</b>  See definition under Plan 1</p>	<p><b>Calculating the Benefit</b>  <u><b>Defined Benefit Component:</b></u>  See definition under Plan 1</p> <p><u><b>Defined Contribution component:</b></u>  The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><b>Average Final Compensation</b>  A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b>  A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b>  Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b>  <b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%</p>	<p><b>Service Retirement Multiplier</b>  <b>VRS:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.</p>	<p><b>Service Retirement Multiplier</b>  <u><b>Defined Benefit Component:</b></u>  <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate</p>

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<p><b>Sheriffs and regional jail superintendents:</b> Not Applicable</p> <p><b>Political Subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><b>Sheriffs and regional jail superintendents:</b> Not Applicable</p> <p><b>Political Subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p>the retirement benefit for service credited in those plans.</p> <p><b>Sheriffs and regional jail superintendents:</b> Not Applicable</p> <p><b>Political Subdivision hazardous duty employees:</b> Not Applicable</p> <p><b>Defined Contribution Component:</b> Not applicable.</p>
<p><b>Normal Retirement Age VRS:</b> Age 65</p> <p><b>Political subdivision hazardous duty employees:</b> Age 60.</p>	<p><b>Normal Retirement Age VRS:</b> Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age <u>Defined Benefit Component:</u></b> <b>VRS:</b> Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable</p> <p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility VRS:</b> Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.</p> <p><b>Political Subdivisions hazardous duty employees:</b> Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.</p>	<p><b>Earliest Unreduced Retirement Eligibility VRS:</b> Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equals 90.</p> <p><b>Political Subdivisions hazardous duty employees:</b> Same as Plan 1</p>	<p><b>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u></b> <b>VRS:</b> Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equal 90.</p> <p><b>Political Subdivisions hazardous duty employees:</b> Not Applicable</p> <p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

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<p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.</p> <p><b>Political subdivisions hazardous duty employees:</b>  Age 50 with at least five years of service credit.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 60 with at least five years (60 months) of service credit.</p> <p><b>Political subdivisions hazardous duty employees:</b>  Same as Plan 1</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <b>Defined Benefit Component:</b>  <b>VRS:</b> Age 60 with at least five years (60 months) of service credit.</p> <p><b>Political subdivisions hazardous duty employees:</b>  Not Applicable</p> <p><b>Defined Contribution Component:</b>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><b>Eligibility:</b>  For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><b>Exceptions to COLA Effective Dates:</b>  The COLA is effective July 1 following one full calendar year (January 1 to December 31)</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><b>Eligibility:</b>  Same as Plan 1</p> <p><b>Exceptions to COLA Effective Dates:</b>  Same as Plan 1</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  <b>Defined Benefit Component:</b>  Same as Plan 2</p> <p><b>Defined Contribution Component:</b>  Not applicable</p> <p><b>Eligibility:</b>  Same as Plan 1 and Plan 2</p> <p><b>Exceptions to COLA Effective Dates:</b>  Same as Plan 1 and Plan 2</p>

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<p>under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability.</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit.</li> <li>• The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>		
<p><b>Disability Coverage</b>  Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p><b>Disability Coverage</b>  Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p><b>Disability Coverage</b>  Employees of political subdivisions (Including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming</p>

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		eligible for non-work-related disability benefits.
<b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	<b>Purchase of Prior Service</b> Same as Plan 1	<b>Purchase of Prior Service</b> <u><b>Defined Benefit Component:</b></u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> <li>Hybrid Retirement Plan members are ineligible for ported service.</li> </ul> <u><b>Defined Contribution Component:</b></u> Not applicable

Employees Covered by Benefit Terms – As of June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u><b>Number</b></u>
Inactive members or their beneficiaries currently receiving benefits	42
Inactive Members:	
Vested Inactive Members	5
Non-vested Inactive Members	7
LTD	0
Active Elsewhere in VRS	<u>19</u>
Total Inactive Members	73
Active Members	<u>45</u>
Total Covered Employees	<u><u>118</u></u>

Contributions – The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to the Town by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Town's contractually required contribution rate for the year ended June 30, 2023 was 10.67% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

This rate, when combined with the employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$276,635 and \$227,883 for the years ended June 30, 2023 and June 30, 2022, respectively.

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Town of Wise, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022.

Actuarial Assumptions – General Employees – The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 %
Investment rate of return	6.75 percent, net of pension plan investment expense, including inflation

**Mortality rates:**

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service-related.

**Pre-Retirement:**

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

**Post-Retirement:**

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

**Post-Disablement:**

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

**Beneficiaries and Survivors:**

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

**Mortality Improvement:**

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates



**TOWN OF WISE, VIRGINIA**  
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**JUNE 30, 2023**

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

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service-related.

**Pre-Retirement:**

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

**Post-Retirement:**

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

**Post-Disablement:**

Pub-2010 Amount Weighted General Disables Rates projected generationally 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

**Beneficiaries and Survivors:**

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

**Mortality Improvement:**

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

**Largest 10 – Non-Hazardous Duty**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non 10 Largest) – Non-Hazardous Duty

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits– The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town of Wise Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 4.75 percent
Investment rate of return	6.75 percent, net of pension plan investment expense, including inflation

**Mortality rates:**

**Largest 10 – Hazardous Duty:** 70% of deaths are assumed to be service-related.

**Pre-Retirement:**

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years.

**Post-Retirement:**

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years.

**Post-Disablement:**

Pub-2010 Amount Weighted General Disable Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

**Beneficiaries and Survivors:**

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

**Mortality Improvement:**

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

All Others (Non 10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service-related.

**Pre-Retirement:**

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years.

**Post-Retirement:**

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years.

**Post-Disablement:**

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

**Beneficiaries and Survivors:**

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years.

**Mortality Improvement:**

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

**Largest 10 – Hazardous Duty**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non 10 Largest) – Hazardous Duty

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70.
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS	6.00%	3.73%	0.22%
PIP	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
	Inflation		<u>2.50%</u>
	*Expected Arithmetic Nominal Return		<u>7.83%</u>

\*The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

Discount Rate – The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021 actuarial valuations, whichever was greater. From July 1, 2022 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2021	\$13,924,994	\$14,205,560	\$(280,566)
Changes for the year:			
Service Cost	223,902	-	223,902
Interest	930,854	-	930,854
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	-
Differences between expected and actual experience	(236,849)	-	(236,849)
Contributions – Employer	-	219,446	(219,446)
Contributions – Employee	-	105,905	(105,905)
Net Investment Income	-	(8,808)	8,808
Benefit payments, including refunds of employee contributions	(716,941)	(716,941)	-
Administrative Expenses	-	(8,923)	8,923
Other Changes	-	324	(324)
Net Changes	200,966	(408,997)	609,963
Balances at June 30, 2022	\$14,125,960	\$13,796,563	\$329,397

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Town of Wise, Virginia using the discount rate of 6.75% as well as what the Town of Wise, Virginia's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate.

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Town of Wise, Virginia's Net Pension Liability	\$2,244,916	\$329,397	\$(1,233,843)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended June 30, 2023, the Town recognized pension expense of \$97,007. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 680	\$ 283,971
Changes in assumptions	187,580	-
Net differences between projected and actual earnings on plan investments	-	417,102
Employer contributions subsequent to the measurement date	276,635	-
Total	<u>\$ 464,895</u>	<u>\$ 701,073</u>

\$276,635 reported as deferred outflows of resources related to pensions resulting from the Town of Wise, VA's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2024	\$ (184,604)
2025	(230,598)
2026	(288,448)
2027	190,837
2028	-
Thereafter	-
TOTAL	<u>\$ (512,813)</u>

Pension Plan Data—Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Report. A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at [varetire.org/pdf/publications/2022-annual-report.pdf](http://varetire.org/pdf/publications/2022-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

In accordance with NCGA Statement 4 "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences", the Town has accrued the liability arising from outstanding claims and judgments and compensated absences. Town employees earn sick leave at the rate of one day per month and vacation time is accrued based on length of service. No benefits or pay are received for unused sick leave upon termination. Accumulated vacation, up to the specified maximum, is paid upon termination. The Town has outstanding

**NOTE 10: CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES (continued)**

accrued vacation pay totaling \$54,247 in the Governmental Activities of the Primary Government, \$16,778 in the Water Fund, and \$15,579 in the Sewer Fund, with \$5,425; \$1,678; and \$1,558 respectively, expected to be paid within one year.

**NOTE 11: LITIGATION**

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

**NOTE 12: SURETY BONDS**

Position Fidelity Schedule Bond:

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

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

Interest Paid-Proprietary Fund – Cash paid interest expense relating to debt for the year ended June 30, 2023 amounted to \$33,741.

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

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

**Purpose**

The Town Council of the Town of Wise is dedicated to maintaining an appropriate level of fund balance sufficient to mitigate current and future financial risks and to ensure stable tax rates; and, therefore, formally establishes this policy for the Town's Fund Balance. This policy also authorizes

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

and directs the Treasurer to prepare financial reports which accurately categorize fund balance as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

**Components of Fund Balance**

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

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



**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

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 15: OTHER POST-EMPLOYMENT BENEFITS**

**PLAN DESCRIPTION**

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

**Health Plan Eligibility**

Participants in the Town of Wise's OPEB Plan must meet the retirement eligibility requirements described below to be eligible for retiree health benefits upon retirement. Participants must also retire directly from active service to be eligible for benefits

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

**Employer and Retiree Contributions**

- Non-Medicare eligible retirees and spouses (Under Age 65)-The Town contributes 100% of the retiree only premiums for a maximum of 18 months following retirement or until the retiree reaches age 65, if earlier. The retiree is responsible for the remainder of their premium costs.
- Medicare-eligible Retirees (Age 65+) – The plan does not include health benefits for Medicare-eligible retirees and their spouses.

**Disability Retirement Benefit**

The Plan does not include a disability retirement benefit.

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

**Death Benefit**

The Plan does not include a pre-retirement death benefit. If a participant dies while in active employment and was eligible for retiree health benefits at the time of their death, their surviving spouse or family member is eligible to continue their health coverage only under COBRA.

**Withdrawal Benefit**

The Plan does not include a withdrawal benefit.

**Benefit Service**

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

**Summary of Participant Data**— As of the January 1, 2022 valuation date, the number of active participants was 46. The number of inactive retirees and dependent spouses was 4.

**Actuarial Assumptions and Methods**— The retirement, withdrawal, mortality, and disability assumptions used are consistent with those used in the June 30, 2016 valuation of the Virginia Retirement System. In addition, the following assumptions specific to other post-employment benefits were used:

Discount Rate: A 3.54% discount rate was used as of January 1, 2022 for purposes of measuring the plan's June 30, 2022 Total OPEB Liability.

Inflation Rate: 2.50%.

Coverage Elections: It is assumed that 100% of retirees will elect coverage for the first 18 months following retirement (or age 65, if earlier) while eligible for the employer contribution. We then assume that 30% of retirees will elect to continue their health coverage after the employer contribution ends (if still younger than age 65).

We assume that 30% of future retirees electing health coverage will also elect to cover their spouse.

The retiree and spousal election assumptions continue to be based on guidance from Milliman's *Health Cost Guidelines*, taking into account the relative level of benefits offered by the Town's OPEB Plan.

Marital Status: It is assumed that 100% of active members are married at retirement with husbands three years older than their wives.

Option Elections: We assume the proportion of members in each option will remain constant.

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

<b>Changes in Total OPEB Liability</b>	<b>Increase/(Decrease)</b>
Balance as of June 30, 2021	\$ 563,211
Changes during Year:	
Service Cost	24,994
Interest on Total OPEB Liability	12,197
Effect of Plan Changes	-
Effect of Economic/Demographic Gains or Losses	74,587
Effect of Assumptions Changes or Inputs	(45,163)
Benefit Payments	<u>(47,296)</u>
Balance as of June 30, 2022	<u>\$ 582,530</u>

**Sensitivity Analysis**

The following presents the Town's Total OPEB Liability, calculated using the discount rate of 3.54%. It also presents what the Town's Total OPEB Liability would be if it were calculated using a discount rate one percentage point lower (2.54%) and one percentage point higher (4.54%) than the current rate.

	<u>1% Decrease (2.54%)</u>	<u>Current Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
Town of Wise, Virginia's Total OPEB Liability	\$632,687	\$582,530	\$536,542

The following presents the Town's Total OPEB Liability, calculated using the current healthcare trend rates. It also presents what the Town's Total OPEB Liability would be if it were calculated using healthcare trend rates that are one percentage point lower or one percentage point higher than the current rates.

	<u>1% Decrease in Trend Rate</u>	<u>Current Trend Rate</u>	<u>1% Increase In Trend Rate</u>
Town of Wise, Virginia's Total OPEB Liability	\$522,612	\$582,530	\$652,930

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

As of June 30, 2022, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 48,417	\$ (23,151)
Changes in assumptions	20,921	(36,830)
Total	<u>\$ 69,338</u>	<u>\$ (59,981)</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year Ended June 30:

2024	\$ 1,686
2025	1,374
2026	3,474
2027	2,823
2028	-
Thereafter	-
TOTAL	<u>\$ 9,357</u>

**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM**

***Group Life Insurance***

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to § 51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)**

***Plan Description***

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

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

<b>GROUP LIFE INSURANCE PROGRAM PROVISIONS</b>	
<b>Eligible Employees</b>	
<p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> <li>• City of Richmond</li> <li>• City of Portsmouth</li> <li>• City of Roanoke</li> <li>• City of Norfolk</li> <li>• Roanoke City Schools Board</li> </ul> <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p>	
<b>Benefit Amounts</b>	
<p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> <li>• <b><u>Natural Death Benefit</u></b>—The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.</li> <li>• <b><u>Accidental Death Benefit</u></b>—The accidental death benefit is double the natural death benefit.</li> <li>• <b><u>Other Benefit Provisions</u></b>—In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> <li>○ Accidental dismemberment benefit</li> <li>○ Seatbelt benefit</li> </ul> </li> </ul>	

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<ul style="list-style-type: none"> <li>○ Repatriation benefit</li> <li>○ Felonious assault benefit</li> <li>○ Accelerated death benefit option</li> </ul>
<p><b>Reduction in benefit Amounts</b></p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p><b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b></p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This amount will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.</p>

***Contributions***

The contribution requirements for the Group Life Insurance Program are governed by § 51.1-506 and Section 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$14,000 and \$12,112 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

At June 30, 2023, the Town reported a liability of \$124,142 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined

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**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)**

employer contributions to the Group Life Insurance Program for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was 0.01031% as compared to 0.00964% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$749. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and Actual experience	\$ 9,831	\$ 4,980
Net difference between projected and Actual earnings on GLI OPEB Program investments	0	7,757
Changes in assumptions	4,630	12,092
Changes in proportion	9,426	15,503
Employer contributions subsequent to the Measurement date	<u>14,000</u>	<u>0</u>
Total	<u>\$ 37,887</u>	<u>\$ 40,332</u>

\$14,000 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

FY 2024	\$ (4,527)
FY 2025	(4,450)
FY 2026	(8,441)
FY 2027	346
FY 2028	627
Thereafter	<u>0</u>
TOTAL	<u>\$ (16,445)</u>

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**NOTE 16.     GROUP LIFE INSURANCE OPEB PROGRAM (continued)**

***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.5 percent
Salary increases, including inflation—	
General state employees	3.5 percent - 5.35 percent
Teachers	3.5 percent – 5.95 percent
SPORS employees	3.5 percent – 4.75 percent
VaLORS employees	3.5 percent – 4.75 percent
JRS employees	4.5 percent
Locality – General employees	3.5 percent – 5.35 percent
Locality – Hazardous Duty employees	3.5 percent – 4.75 percent
Investment rate of return	6.75 Percent, net of investment expenses, Including inflation

***Mortality rates – General State Employees***

**Pre-Retirement:**

Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years

**Post-Retirement:**

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females

**Post-Disablement:**

Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years

**Beneficiaries and Survivors:**

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females



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**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)**

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

***Mortality rates – Teachers***

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)**

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

***Mortality rates-- SPORS Employees***

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)**

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount rate	No change

***Mortality rates – VaLORS Employees***

Pre-retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

**TOWN OF WISE, VIRGINIA**  
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**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)**

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For Future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

***Mortality rates- JRS Employees***

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males and females set back 2 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally

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**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)**

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Decreased rates for ages 60-66 and 70-72
Withdrawal Rates	No change
Disability Rates	No change
Salary Scale	Reduce increases across all ages by 0.50%
Discount Rate	No change

***Mortality rates—Largest Ten Locality Employers-General Employees***

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

**TOWN OF WISE, VIRGINIA**  
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**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)**

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

***Mortality rates— Non-Largest Ten Locality Employers-General Employees***

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

**TOWN OF WISE, VIRGINIA**  
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**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)**

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount rate	No change

***Mortality rates—Largest Ten Locality Employers-Hazardous Duty Employees***

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

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**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)**

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount rate	No change

***Mortality rates—Non-Largest Ten Locality Employers-Hazardous Duty Employees***

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.



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**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)**

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate.	No change

***Net OPEB Liability***

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance <u>OPEB Program</u>
Total GLI OPEB Liability	\$ 3,672,085
Plan Fiduciary Net Position	<u>2,467,989</u>
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,204,096</u>
Plan Fiduciary Net Position as a Percentage Of the Total GLI OPEB Liability	67.21%

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)**

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

***Long-Term Expected Rate of Return***

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS	6.00%	3.73%	0.22%
PIP	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
	Inflation		<u>2.50%</u>
	*Expected Arithmetic Nominal Return		<u>7.83%</u>

The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019 the VRS Board elected a long-term rate of 6.75% which was roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)**

***Discount Rate***

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

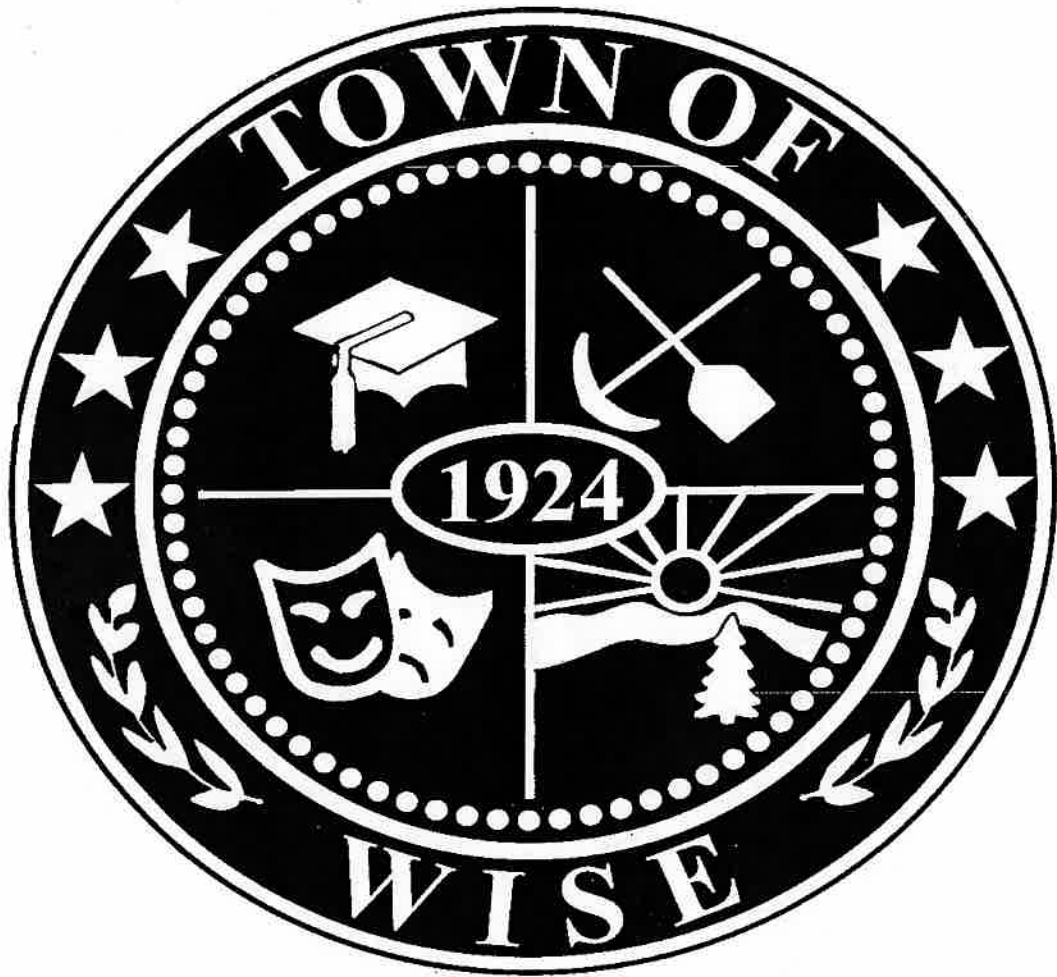
***Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate***

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75% as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Town of Wise, Virginia's Share of the Group Life Insurance Program Net OPEB Liability	\$180,642	\$ 124,142	\$ 78,483

***Group Life Insurance Program Fiduciary Net Position***

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS CAFR may be downloaded from the VRS website at [varetire.org/pdf/publications/2022-annual-report.pdf](http://varetire.org/pdf/publications/2022-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.



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## **SCHEDULES OF CAPITAL ASSETS**

**TOWN OF WISE, VIRGINIA  
SCHEDULE OF CAPITAL ASSETS BY SOURCE  
FOR THE YEAR ENDED JUNE 30, 2023**

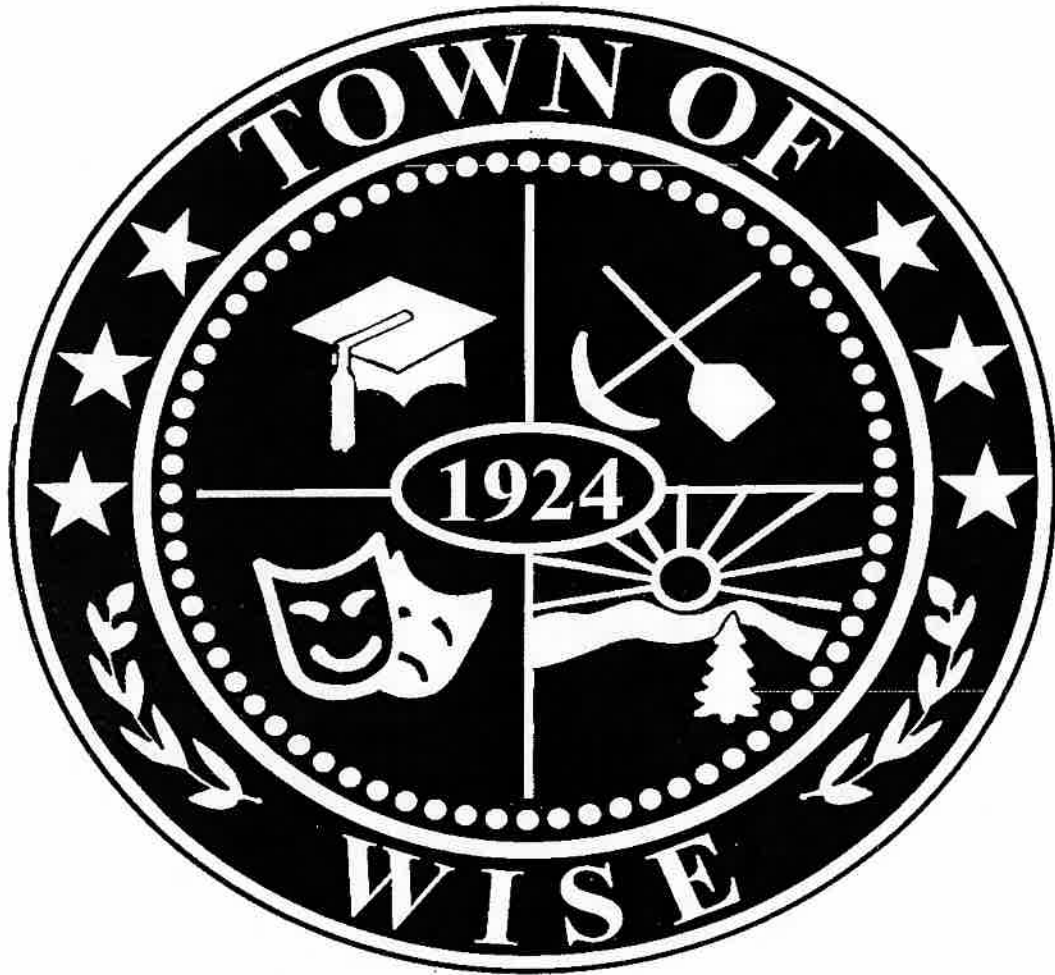
**EXHIBIT 9**

	<u>TOTAL</u>
<b>CAPITAL ASSETS</b>	
Land	\$ 2,304,766
Building and Building Improvements	3,531,199
Infrastructure	33,666,953
Equipment	5,919,338
Total Capital Assets	<u>\$ 45,422,256</u>
 <b>INVESTMENT IN CAPITAL ASSETS BY SOURCE</b>	
Enterprise Fund Revenues	\$ 19,229,121
Enterprise Fund Indebtedness	1,349,314
General Fund Revenues	24,843,821
General Fund Indebtedness	-
Total Investment in Capital Assets	<u>\$ 45,422,256</u>

**TOWN OF WISE, VIRGINIA**  
**SCHEDULE OF CAPITAL ASSETS BY FUNCTION**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**EXHIBIT 10**

	<u>LAND</u>	<u>BUILDING and BUILDING IMPROVEMENTS</u>	<u>INFRA- STRUCTURE</u>	<u>EQUIPMENT</u>	<u>TOTAL</u>
<b>PRIMARY GOVERNMENT</b>					
<b>Governmental:</b>					
General Government Adm	\$ 1,991,892	\$ 1,486,987	\$ -	\$ 94,425	\$ 3,573,304
Judicial Administration	-	-	-	-	-
Public Safety	-	941,239	-	1,695,993	2,637,232
Public Works	-	373,536	11,834,928	2,139,477	14,347,941
Health & Welfare	-	-	-	-	-
Education	-	-	-	-	-
Parks, Recreation & Cultural	-	53,892	2,160,372	139,561	2,353,825
Community Development	-	-	1,895,829	35,690	1,931,519
Total Governmental	<u>1,991,892</u>	<u>2,855,654</u>	<u>15,891,129</u>	<u>4,105,146</u>	<u>24,843,821</u>
<b>Business-Type:</b>					
Water	226,624	401,448	12,903,852	1,157,038	14,688,962
Sewer	86,250	274,097	4,871,972	657,154	5,889,473
Total Business-Type	<u>312,874</u>	<u>675,545</u>	<u>17,775,824</u>	<u>1,814,192</u>	<u>20,578,435</u>
<b>TOTAL CAPITAL ASSETS BY FUNCTION (excluding depreciation)</b>	<u><u>\$ 2,304,766</u></u>	<u><u>\$ 3,531,199</u></u>	<u><u>\$ 33,666,953</u></u>	<u><u>\$ 5,919,338</u></u>	<u><u>\$ 45,422,256</u></u>



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## **SUPPLEMENTARY SCHEDULES**

**TOWN OF WISE, VIRGINIA**  
**GOVERNMENTAL FUND**  
**STATEMENT OF REVENUES - BUDGET & ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**SCHEDULE 1**  
**PAGE 1**

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund:				
Revenue From Local Sources:				
General Property Taxes:				
Real Property Taxes	\$ 581,000	\$ 581,000	\$ 639,094	\$ 58,094
Real & Personal Public Service Corporation Property Taxes	15,000	15,000	20,278	5,278
Personal Property Taxes	129,690	129,690	202,177	72,487
Penalties & Interest	8,200	8,200	27,302	19,102
<b>PROPERTY TAXES</b>	<b>733,890</b>	<b>733,890</b>	<b>888,851</b>	<b>154,961</b>
Other Local Taxes:				
Local Sales & Use Taxes	90,000	90,000	166,465	76,465
Consumer Utility Taxes	75,000	75,000	88,100	13,100
Consumption Tax	10,000	10,000	14,030	4,030
Business License Taxes	321,975	321,975	481,596	159,621
Franchise License Taxes	2,500	2,500	3,479	979
Bank Stock Taxes	145,000	145,000	175,044	30,044
Transient Lodging Taxes	120,000	120,000	176,249	56,249
Coal Road Improvement Taxes	10,000	10,000	34,215	24,215
Cigarette Tax	58,000	58,000	75,660	17,660
Meal Tax	990,000	990,000	1,629,629	639,629
	<b>1,822,475</b>	<b>1,822,475</b>	<b>2,844,467</b>	<b>1,021,992</b>
Permits, Privilege Fees & Regulatory Licenses:				
Animal License	-	-	-	-
Permits	100	100	775	675
<b>REGULATORY LICENSES</b>	<b>100</b>	<b>100</b>	<b>775</b>	<b>675</b>
Fines & Forfeitures	1,000	1,000	3,992	2,992
Revenue From Use of Money & Property:				
Interest and Rent Revenue	9,500	9,500	392,231	382,731
<b>TOTAL REVENUE FROM USE OF MONEY &amp; PROPERTY</b>	<b>9,500</b>	<b>9,500</b>	<b>392,231</b>	<b>382,731</b>

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

**TOWN OF WISE, VIRGINIA  
GOVERNMENTAL FUND  
STATEMENT OF REVENUES - BUDGET & ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

**SCHEDULE 1  
PAGE 2**

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund: (continued)				
Charges For Services:				
Charges For Parks & Recreation	\$ 44,800	\$ 44,800	\$ 49,305	\$ 4,505
Charges For Sanitation & Waste Removal	278,100	278,100	267,900	(10,200)
TOTAL CHARGES FOR SERVICES	322,900	322,900	317,205	(5,695)
Miscellaneous Revenue:				
Sale of Cemetery Plots	2,000	2,000	8,881	6,881
Sale of Property	150	150	215	65
County of Wise-Payment in Lieu of Taxes	-	-	-	-
Coal Severance Committee Appropriation	50,000	50,000	40,714	(9,286)
Donations	50,000	50,000	60,000	10,000
Other Grant Income	-	-	62,000	62,000
Miscellaneous	6,960	6,960	25,108	18,148
TOTAL MISCELLANEOUS REVENUE	109,110	109,110	196,918	87,808
TOTAL REVENUE FROM LOCAL SOURCES	2,998,975	2,998,975	4,644,439	1,645,464
Revenue From The Commonwealth:				
Non-Categorical Aid:				
Mobile Home Titling Tax	3,000	3,000	21,572	18,572
Rolling Stock Tax	5	5	-	(5)
Car Rental Tax	2,000	2,000	3,907	1,907
Financial Assistance To Police Dept.	80,000	80,000	94,128	14,128
PPTRA Tax Relief	56,000	56,000	57,392	1,392
Gaming Tax	500	500	-	(500)
Communications Sales & Use Tax	70,000	70,000	80,795	10,795
TOTAL NON-CATEGORICAL AID	211,505	211,505	257,794	46,289
Categorical Aid:				
Street & Highway Maintenance	580,000	580,000	682,188	102,188
Litter Grant	1,900	1,900	2,595	695
Fire Programs	15,000	15,000	15,000	-
Virginia Commission of Arts	4,050	4,050	4,500	450
Byrnes Justice Grants	-	-	-	-
VDOT-HSIP Grant	55,330	55,330	130,817	75,487
VDEM-HMGP	-	-	-	-
VDOT-Norton Road Sidewalk-Phase 1	-	-	-	-
DCJS LE Retention Funds	-	-	-	-
TOTAL CATEGORICAL AID	656,280	656,280	835,100	178,820
TOTAL REVENUE FROM THE COMMONWEALTH	867,785	867,785	1,092,894	225,109

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

**TOWN OF WISE, VIRGINIA  
GOVERNMENTAL FUND  
STATEMENT OF REVENUES - BUDGET & ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund: (continued)				
Revenue From The Federal Government:				
Categorical Aid:				
Byrnes Justice Grants	\$ 4,050	\$ 4,050	\$ 2,376	\$ (1,674)
FEMA-HMGP	-	-	-	-
VDOT-Norton Rd Sidewalk Phase 1	415,000	415,000	438,624	23,624
DOJ-Bulletproof Vest Partnership	-	-	-	-
RD-Strategic Plan Grant	35,000	35,000	17,500	(17,500)
VDOT Transportation Alternatives Grant	-	-	-	-
American Rescue Plan Act (ARPA)	3,015,520	3,015,520	59,723	(2,955,797)
FHWA-HSIP-Norton Road Phase 2,3&4	1,051,270	1,051,270	1,177,353	126,083
Selective Enforcement Grant	17,000	17,000	11,711	(5,289)
CDBG OPP Zone Grant	-	-	-	-
AML Sports Complex IMP Grant	371,000	371,000	33,800	(337,200)
TOTAL CATEGORICAL AID	<u>4,908,840</u>	<u>4,908,840</u>	<u>1,741,087</u>	<u>(3,167,753)</u>
TOTAL REVENUE FROM THE FEDERAL GOVT.	<u>4,908,840</u>	<u>4,908,840</u>	<u>1,741,087</u>	<u>(3,167,753)</u>
Suppl. Approp. From Prior Year Fund Bal.	3,889,335	3,889,335	-	(3,889,335)
TOTAL GENERAL FUND	<u>\$ 12,664,935</u>	<u>\$ 12,664,935</u>	<u>\$ 7,478,420</u>	<u>\$ (5,186,515)</u>
SPECIAL REVENUE FUNDS:				
DCJS Asset Forfeiture-State Revenue	27,756	27,756	23,500	(4,256)
DOJ Asset Forfeiture-Federal Revenue	<u>9,035</u>	<u>9,035</u>	<u>-</u>	<u>(9,035)</u>
TOTAL SPECIAL REVENUE FUND	<u>36,791</u>	<u>36,791</u>	<u>23,500</u>	<u>(13,291)</u>
GRAND TOTAL-REVENUES GOVERNMENTAL FUNDS	<u>\$ 12,701,726</u>	<u>\$ 12,701,726</u>	<u>\$ 7,501,920</u>	<u>\$ (5,199,806)</u>

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

**TOWN OF WISE, VIRGINIA  
GOVERNMENTAL FUND  
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

**SCHEDULE 2  
PAGE 1**

FUND, MAJOR & MINOR EXPENDITURE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Government Administration:				
Legislative:				
Town Council	\$ 69,950	\$ 69,950	\$ 45,206	\$ 24,744
TOTAL LEGISLATIVE	69,950	69,950	45,206	24,744
General & Financial Administration:				
Employee Benefits	104,050	104,050	42,800	61,250
Manager	109,330	109,330	104,097	5,233
Professional Services	80,225	80,225	35,715	44,510
Treasurer	230,940	230,940	188,490	42,450
Risk Management	190,180	190,180	107,416	82,764
Data Processing	120,030	120,030	76,209	43,821
TOTAL GENERAL & FINANCIAL ADMINISTRATION	834,755	834,755	554,727	280,028
TOTAL GENERAL GOVERNMENT ADMINISTRATION	904,705	904,705	599,933	304,772
Public Safety:				
Law Enforcement & Traffic Control:				
Police Department	1,410,720	1,410,720	1,204,133	206,587
TOTAL LAW ENFORCEMENT & TRAFFIC CONTROL	1,410,720	1,410,720	1,204,133	206,587
Fire & Rescue Services:				
Volunteer Fire Department	85,000	85,000	85,000	-
Ambulance & Rescue Service	22,000	22,000	22,000	-
TOTAL FIRE & RESCUE SERVICES	107,000	107,000	107,000	-
Correction & Detention:				
Court Expense	1,000	1,000	-	1,000
TOTAL COURT EXPENSE	1,000	1,000	-	1,000

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

**TOWN OF WISE, VIRGINIA  
GOVERNMENTAL FUND  
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

**SCHEDULE 2  
PAGE 2**

<u>FUND, MAJOR &amp; MINOR EXPENDITURE SOURCE</u>	<u>ORIGINAL BUDGET</u>	<u>BUDGET AS AMENDED</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Public Safety: (continued)				
Animal Control:				
Animal Control	\$ -	\$ -	\$ -	\$ -
TOTAL ANIMAL CONTROL	-	-	-	-
TOTAL PUBLIC SAFETY	1,518,720	1,518,720	1,311,133	207,587
Public Works:				
Maintenance of Highways, Streets, Bridges, and Sidewalks:				
General Administration	241,290	241,290	188,378	52,912
Storm Drainage	42,500	42,500	61,645	(19,145)
Street Maintenance	3,321,780	3,321,780	2,612,101	709,679
Street Lights	175,000	175,000	65,563	109,437
Snow & Ice Removal	626,150	626,150	88,003	538,147
TOTAL MAINTENANCE OF HIGHWAYS, STREETS, BRIDGES, & SIDEWALKS	4,406,720	4,406,720	3,015,690	1,391,030
Sanitation & Waste Removal:				
General Engineering/Administration:				
Solid Waste Removal	706,320	706,320	629,717	76,603
TOTAL SANITATION & WASTE REMOVAL	706,320	706,320	629,717	76,603
Maintenance of General Buildings and Grounds:				
General Engineering/Administration:				
General Properties	162,500	162,500	111,736	50,764
TOTAL MAINTENANCE OF GENERAL BUILDINGS & GROUNDS	162,500	162,500	111,736	50,764
TOTAL PUBLIC WORKS	5,275,540	5,275,540	3,757,143	1,518,397
Health and Welfare:				
Welfare Social Service:				
Property Tax Relief for Elderly	5,000	5,000	5,003	(3)
TOTAL HEALTH AND WELFARE	5,000	5,000	5,003	(3)

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

**TOWN OF WISE, VIRGINIA  
GOVERNMENTAL FUND  
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

**SCHEDULE 2  
PAGE 3**

FUND, MAJOR & MINOR EXPENDITURE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Parks, Recreation & Cultural:				
Parks and Play Grounds	\$ 71,460	\$ 71,460	\$ 75,897	\$ (4,437)
Sports Complex	\$ 537,000	\$ 537,000	\$ 197,277	339,723
Swimming Pool	153,930	153,930	136,677	17,253
Special Events	108,900	108,900	88,695	20,205
Cemeteries	2,500	2,500	-	2,500
TOTAL PARKS, RECREATION, & CULTURAL	873,790	873,790	498,546	375,244
Community Development:				
Planning & Community Development:				
Planning and Administration	135,950	135,950	111,524	24,426
Planning Commission/Bd of Zoning Appls	1,250	1,250	-	1,250
Miscellaneous	1,520,520	1,520,520	2,908	1,517,612
TOTAL PLANNING & COMMUNITY DEVELOPMENT	1,657,720	1,657,720	114,432	1,543,288
Contributions to Other Entities				
Pro Art Association	7,600	7,600	7,600	-
Cumberland Airport Commission	3,000	3,000	3,000	-
Library Art Gallery	1,900	1,900	1,900	-
Wise Explorer Post 312	2,000	2,000	2,000	-
WBA-Fall Fling	6,000	6,000	6,000	-
Friends of South West Virginia	500	500	500	-
Regional Library	9,500	9,500	9,500	-
Heart of Appalachia	2,000	2,000	2,000	-
Miscellaneous	-	-	-	-
TOTAL CONTRIBUTIONS TO OTHER ENTITIES	32,500	32,500	32,500	-
TOTAL COMMUNITY DEVELOPMENT	1,690,220	1,690,220	146,932	1,543,288
Debt Service:				
Principal Curtailments	-	-	-	-
Interest & Fiscal Charges	-	-	-	-
TOTAL DEBT SERVICE	-	-	-	-
Transfer to Water/Sewer Fund	2,296,960	2,296,960	44,327	2,252,633
Reserve for Contingencies	100,000	100,000	-	100,000
TOTAL GENERAL FUND	\$ 12,664,935	\$ 12,664,935	\$ 6,363,017	\$ 6,301,918
SPECIAL REVENUE FUNDS:				
DCJS Asset Forfeiture	27,756	27,756	22,927	4,829
DOJ Asset Forfeiture	9,035	9,035	-	9,035
TOTAL SPECIAL REVENUE FUND	36,791	36,791	22,927	13,864
GRAND TOTAL-EXPENDITURES GOVERNMENTAL FUNDS	\$ 12,701,726	\$ 12,701,726	\$ 6,385,944	\$ 6,315,782

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

SCHEDULE 3

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			INTER-GOVERNMENTAL	TOTAL
			FINES AND FORFEITURES	FEES & REGULATORY LICENSES	CHARGES FOR SERVICES	MISCELLANEOUS	USE OF MONEY AND PROPERTY			
2023	\$ 888,851	\$ 2,844,467	\$ 3,992	\$ 775	\$ 317,205	\$ 196,918	\$ 392,231	\$ 2,857,481	\$ 7,501,920	
2022	784,652	2,451,761	2,810	275	353,841	105,962	35,166	1,685,443	5,419,910	
2021	786,796	2,208,825	2,881	525	342,731	47,605	9,915	1,828,205	5,227,483	
2020	778,776	2,039,581	3,391	550	315,389	158,924	108,191	1,305,143	4,709,945	
2019	786,881	2,250,187	13,325	375	332,585	93,148	146,058	879,817	4,502,376	
2018	797,412	2,170,923	12,440	825	328,622	120,016	59,010	908,180	4,397,428	
2017	791,340	2,196,980	14,371	1,025	329,840	62,110	39,866	826,380	4,261,912	
2016	808,460	2,182,802	19,889	525	332,696	61,178	39,773	932,629	4,377,952	
2015	659,443	2,042,875	17,340	547	363,970	80,249	27,567	1,273,487	3,859,006	
2014	637,575	1,989,857	15,097	475	357,512	80,002	25,269	753,219	3,859,006	



**SCHEDULE 4**

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

FISCAL YEAR	GENERAL ADMINI- STRATION	PARKS, RECREATION AND CULTURAL								TOTAL
		PUBLIC SAFETY	PUBLIC WORKS	HEALTH AND WELFARE	COMMUNITY DEVELOP- MENT	NON DEPART- MENTAL	DEBT SERVICE			
2023	\$ 599,933	\$ 1,311,133	\$ 3,757,143	\$ 498,546	\$ 5,003	\$ 146,932	\$ 44,327	\$ -	\$ 6,363,017	
2022	571,790	1,230,356	3,193,020	312,622	5,000	470,683	-	-	5,783,471	
2021	597,635	1,257,913	2,298,991	257,203	5,659	100,922	-	-	4,518,323	
2020	545,609	1,233,178	2,129,181	135,740	5,897	125,623	29,005	-	4,204,233	
2019	528,045	1,214,371	1,464,594	162,216	-	149,487	137,398	-	3,656,111	
2018	535,747	1,153,313	1,465,480	166,617	4,603	144,315	328,243	-	3,798,318	
2017	513,477	1,061,477	1,387,571	347,498	11,494	114,089	589,612	-	4,025,218	
2016	475,411	1,103,005	1,316,624	171,630	19,182	110,186	-	-	3,196,038	
2015	451,939	1,071,881	1,747,530	161,155	2,221	104,539	489,804	-	4,029,069	
2014	481,195	1,118,698	1,193,519	120,040	4,939	135,093	320,800	66,745	3,441,029	

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

**SCHEDULE 5**

FISCAL YEARS	REAL ESTATE	PERSONAL PROPERTY	MOBILE HOMES	PUBLIC UTILITY	TOTAL
2023	\$ 227,165,360	\$ 42,184,720	\$ 1,757,697	\$ 6,977,985	\$ 278,085,762
2022	203,127,327	32,742,257	1,535,757	6,407,007	243,812,348
2021	206,988,560	21,154,570	1,510,848	6,260,180	235,914,158
2020	206,086,960	25,987,271	3,302,731	5,768,233	241,145,195
2019	201,276,333	20,809,365	1,446,031	5,634,083	229,165,812
2018	206,529,160	27,182,190	3,960,311	6,388,188	244,059,849
2017	209,938,260	28,179,654	4,250,151	6,278,177	248,646,242
2016	208,334,290	29,301,732	3,853,631	6,497,010	247,986,663
2015	202,017,551	36,203,962	1,756,226	5,915,448	245,893,188
2014	202,083,590	31,598,169	4,830,910	6,001,305	244,513,974

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

FISCAL YEARS	REAL ESTATE	PERSONAL PROPERTY	MOBILE HOMES	PUBLIC UTILITY
2022	0.300	0.630	0.630	Various
2021	0.300	0.630	0.630	Various
2020	0.300	0.630	0.630	Various
2019	0.300	0.630	0.630	Various
2018	0.300	0.630	0.630	Various
2017	0.300	0.630	0.630	Various
2016	0.300	0.630	0.630	Various
2015	0.245	0.530	0.530	Various
2014	0.245	0.530	0.530	Various
2013	0.245	0.530	0.245	Various

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

**SCHEDULE 6**

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	TAX (2) COLLECTIONS							
2023	\$ 957,204	\$ 838,526	87.60%	\$ 21,039	\$ 21,039	\$ 859,564	89.80%	\$ 59,821	\$ 59,821	6.25%		
2022	844,554	816,748	96.71%	12,167	12,167	828,915	98.15%	47,951	47,951	5.68%		
2021	809,122	794,047	98.14%	26,019	26,019	820,066	101.35%	43,942	43,942	5.43%		
2020	797,505	750,610	94.12%	14,763	14,763	765,373	95.97%	53,312	53,312	6.68%		
2019	762,024	747,449	98.09%	17,004	17,004	764,453	100.32%	39,730	39,730	5.21%		
2018	787,664	734,967	93.31%	20,520	20,520	755,487	95.91%	51,775	51,775	6.57%		
2017	793,050	764,051	96.34%	23,724	23,724	787,775	99.33%	43,254	43,254	5.45%		
2016	785,626	752,350	95.76%	33,246	33,246	785,596	100.00%	42,974	42,974	5.47%		
2015	696,132	610,699	87.73%	35,436	35,436	646,135	92.82%	23,526	23,526	3.38%		
2014	681,582	601,143	88.20%	13,389	13,389	614,532	90.16%	39,594	39,594	5.81%		

Notes:

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

SCHEDULE 7

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

FISCAL YEAR	POPULATION (1)	ASSESSED VALUE (IN THOUSANDS)	GROSS BONDED DEBT (2)	LESS:		DEBT SERVICE MONIES AVAILABLE	DEBT PAYABLE FROM ENTERPRISE REVENUES	NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
				DEBT SERVICE MONIES AVAILABLE	DEBT PAYABLE FROM ENTERPRISE REVENUES					
2023	2,848	\$ 278,086	\$ 1,349,314	-	\$ 1,349,314	-	\$ -	-	-	\$ -
2022	3,286	243,812	1,441,560	-	1,441,560	-	-	-	-	-
2021	3,286	235,914	1,531,737	-	1,531,737	-	-	-	-	-
2020	3,286	241,145	1,620,782	-	1,620,782	-	-	-	-	-
2019	3,286	229,166	1,705,922	-	1,705,922	-	-	-	-	-
2018	3,286	244,060	1,790,524	-	1,790,524	-	-	-	-	-
2017	3,286	248,646	1,981,992	-	1,981,992	-	-	-	-	-
2016	3,286	247,987	3,555,012	-	3,555,012	-	-	-	-	-
2015	3,286	245,893	2,954,345	-	2,954,345	-	-	-	-	-
2014	3,286	244,514	2,992,243	-	2,992,243	-	-	-	-	-

Notes:

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

SCHEDULE 8

TOWN OF WISE, VIRGINIA  
Pledged Revenue Coverage  
Last Ten Fiscal Years

Water and Sewer Revenue Bonds

Fiscal Year	Gross revenues	Less operating expenses	Net revenues available for debt service	Debt Service		Coverage
				Principal	Interest	
2023	10,959,423	(7,474,689)	\$ 3,484,734	92,246	33,630	2768%
2022	8,430,165	(7,142,717)	\$ 1,287,448	90,177	35,470	1025%
2021	9,974,619	(6,946,899)	\$ 3,027,720	173,239	38,047	1433%
2020	7,789,174	(6,697,229)	\$ 1,091,945	86,067	39,815	867%
2019	7,635,388	(6,325,229)	\$ 1,310,159	118,141	41,980	818%
2018	7,457,800	(6,765,545)	\$ 692,255	191,946	43,807	294%
2017	7,214,728	(6,198,311)	\$ 1,016,417	2,916,008	57,335	34%
2016	7,762,873	(6,123,160)	\$ 1,639,713	39,320	112,617	1079%
2015	7,309,762	(6,171,658)	\$ 1,138,104	37,899	113,589	751%
2014	6,976,919	(6,227,676)	\$ 749,243	91,373	196,383	260%

**TOWN OF WISE, VIRGINIA  
SCHEDULE OF LEGAL DEBT MARGIN  
FOR THE YEAR ENDED JUNE 30, 2023**

**SCHEDULE 9**

Legal Debt Limit

10% of Assessed Value Of Taxable Real Estate  
(Including Public Utility Real Estate)  
(\$278,085,762 x .10)

\$ 27,808,576

Deduct

Bonds Payable

(1,349,314)

Legal Margin For Creation Of Additional Debt

\$ 26,459,262

**TOWN OF WISE, VIRGINIA**  
**SCHEDULE OF FUND BALANCES - GASB 54**  
**JUNE 30, 2023**

**SCHEDULE 10**

**Governmental Fund Balances:**

**Nonspendable:**

Cemetery Saving	\$ 506,942
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**Restricted for:**

Asset forfeiture	13,999
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American Rescue Plan Act	2,616,672
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VRS Reserves	600,000
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<b>Unassigned:</b>	<u>6,013,983</u>
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<b>Governmental Fund Balance June 30, 2023</b>	<u><u>\$ 9,751,596</u></u>
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**TOWN OF WISE, VIRGINIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**VIRGINIA RETIREMENT SYSTEM**  
**RETIREMENT PLAN**

SCHEDULE 11  
PAGE 1

JUNE 30, 2023

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>									
Service cost	\$ 223,902	\$ 216,504	\$ 233,777	\$ 226,536	\$ 213,327	\$ 220,610	\$ 230,075	\$ 223,237	\$ 227,300
Interest	930,854	873,498	835,435	781,056	710,828	708,642	682,748	654,198	611,870
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(236,849)	(314,727)	(7,917)	272,536	496,144	(338,765)	(34,038)	(178,761)	-
Changes in assumptions	-	485,206	-	386,070	-	(38,071)	-	-	-
Benefit Payments, including refunds of employee contributions	(716,941)	(552,403)	(442,402)	(452,234)	(381,844)	(660,550)	(357,183)	(224,440)	(244,530)
<b>Net change in total pension liability</b>	200,966	708,078	618,893	1,213,964	1,038,455	(108,134)	521,602	474,234	594,640
<b>Total pension liability-beginning</b>	13,924,994	13,216,916	12,598,023	11,384,059	10,345,604	10,453,738	9,932,136	9,457,902	8,863,262
<b>Total pension liability-ending (a)</b>	\$ 14,125,960	\$ 13,924,994	\$ 13,216,916	\$ 12,598,023	\$ 11,384,059	\$ 10,345,604	\$ 10,453,738	\$ 9,932,136	\$ 9,457,902
<b>Plan fiduciary net position</b>									
Contributions-employer	\$ 219,446	\$ 196,204	\$ 158,728	\$ 161,688	\$ 160,282	\$ 150,412	\$ 192,824	\$ 192,583	\$ 184,911
Contributions-employee	105,905	95,365	103,480	105,451	106,867	100,363	103,463	103,496	111,612
Net investment income	(8,808)	3,098,783	216,328	719,268	753,383	1,119,050	163,417	413,438	1,218,703
Benefit Payments, including refunds of employee contributions	(716,941)	(552,403)	(442,402)	(452,234)	(381,844)	(660,550)	(357,183)	(224,440)	(244,530)
Administrative expense	(8,923)	(7,756)	(7,391)	(7,122)	(6,474)	(6,688)	(5,844)	(5,508)	(6,458)
Other	324	292	(256)	(453)	(672)	(996)	(69)	(88)	64
<b>Net change in plan fiduciary net position</b>	(408,997)	2,830,485	28,487	526,598	631,542	701,591	96,608	479,481	1,264,302
<b>Plan fiduciary net position-beginning</b>	14,205,560	11,375,075	11,346,588	10,819,990	10,188,448	9,486,857	9,390,249	8,910,768	7,646,466
<b>Plan fiduciary net position-ending (b)</b>	\$ 13,796,563	\$ 14,205,560	\$ 11,375,075	\$ 11,346,588	\$ 10,819,990	\$ 10,188,448	\$ 9,486,857	\$ 9,390,249	\$ 8,910,768
<b>Town of Wise, Virginia's</b>									
<b>Net pension liability-ending (a) - (b)</b>	\$ 329,397	\$ (280,566)	\$ 1,841,841	\$ 1,251,435	\$ 564,069	\$ 157,156	\$ 966,881	\$ 541,887	\$ 547,134
<b>Plan fiduciary net position as a percentage of the total Pension liability</b>	97.7%	102.0%	86.1%	90.1%	95.0%	98.5%	90.8%	94.5%	94.2%
<b>Covered payroll</b>	\$ 2,242,942	\$ 1,990,001	\$ 2,131,981	\$ 2,156,454	\$ 2,175,316	\$ 2,034,450	\$ 2,034,452	\$ 2,071,817	\$ 2,071,642
<b>Town of Wise, Virginia's net pension liability</b>									
<b>As a percentage of covered payroll</b>	14.7%	-14.1%	86.4%	58.0%	25.9%	7.7%	47.5%	26.2%	26.4%



**TOWN OF WISE, VIRGINIA**  
REQUIRED SUPPLEMENTARY INFORMATION  
VIRGINIA RETIREMENT SYSTEM  
RETIREMENT PLAN  
JUNE 30, 2023

**Schedule of Employer Contributions**  
**For the Years Ended June 30, 2014 through 2023**

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2023	276,635	276,635	0	2,592,645	10.67%
2022	227,883	227,883	0	2,242,942	10.16%
2021	202,184	202,184	0	1,990,001	10.16%
2020	162,457	162,457	0	2,131,981	7.62%
2019	162,496	164,322	0	2,156,454	7.62%
2018	162,496	162,496	0	2,175,316	7.47%
2017	151,974	151,974	0	2,034,450	7.47%
2016	193,770	193,770	0	2,034,452	9.3%
2015	192,679	192,679	0	2,071,817	9.3%
2014	184,912	184,912	0	2,071,642	8.6%

**TOWN OF WISE, VIRGINIA**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**VRS RETIREMENT PLAN**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** – The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

**Largest 10 – Non-Hazardous Duty**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**All Others (Non 10 Largest) – Non-Hazardous Duty**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2010
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**TOWN OF WISE, VIRGINIA**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**VRS RETIREMENT PLAN**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**Largest 10 – Hazardous Duty**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70.
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**All Others (Non 10 Largest) – Hazardous Duty**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70.
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**TOWN OF WISE, VIRGINIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**VIRGINIA RETIREMENT SYSTEM**  
**GROUP LIFE INSURANCE PROGRAM**  
**JUNE 30, 2023**

**Schedule of Town of Wise, Virginia's Share of**  
**Net OPEB Liability**  
**Group Life Insurance Program**  
**For the Measurement Dates of June 30, 2017 through 2023**

	2022	2021	2020	2019	2018	2017
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.01031%	0.00964%	0.01036%	0.01104%	0.01144%	0.01103%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 124,142	\$ 112,236	\$ 179,650	\$ 179,650	\$ 174,000	\$ 166,000
Employer's Covered Payroll	\$ 2,592,645	\$ 1,990,001	\$ 2,131,981	\$ 2,156,454	\$ 2,175,316	\$ 2,034,450
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	4.79%	5.64%	8.43%	8.33%	8.00%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

*Schedule is intended to show information for 10 years. Since 2022 is the sixth year for this presentation, there are only six years available. However, additional years will be included as they become available.*

**For Reference Only:** The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 132 of the VRS 2022 Annual Report.

**TOWN OF WISE, VIRGINIA**  
REQUIRED SUPPLEMENTARY INFORMATION  
VIRGINIA RETIREMENT SYSTEM  
GROUP LIFE INSURANCE PROGRAM  
JUNE 30, 2023

**Schedule of Employer Contributions**  
**For the Years Ended June 30, 2017 through 2023**

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2023	14,000	14,000	0	2,592,645	0.54%
2022	12,112	12,112	0	2,242,942	0.54%
2021	10,746	10,746	0	1,990,001	0.54%
2020	11,086	11,086	0	2,131,981	0.52%
2019	11,258	11,258	0	2,156,454	0.52%
2018	11,312	11,312	0	2,175,316	0.52%
2017	10,579	10,579	0	2,034,450	0.52%

*Schedule is intended to show information for 10 years. Since 2023 is the seventh year for this presentation, only seven years of data is available. However, additional years will be included as they become available.*

**TOWN OF WISE, VIRGINIA**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**GROUP LIFE INSURANCE PROGRAM**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** – The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

**General State Employees**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**Teachers**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

**TOWN OF WISE, VIRGINIA**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**GROUP LIFE INSURANCE PROGRAM**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**SPORS Employees**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 7
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**VaLORS Employees**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**JRS Employees**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Decreased rates for ages 60-66 and 70-72
Withdrawal Rates	No change
Disability Rates	No change
Salary Scale	Reduce increases across all ages by 0.50%
Discount Rate	No change

**TOWN OF WISE, VIRGINIA**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**GROUP LIFE INSURANCE PROGRAM**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**Largest Ten Locality Employers-General Employees**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**Non-Largest Ten Locality Employers-General Employees**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change



**TOWN OF WISE, VIRGINIA**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**GROUP LIFE INSURANCE PROGRAM**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**Largest Ten Locality Employers-Hazardous Duty Employees**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**Non-Largest Ten Locality Employers—Hazardous Duty Employees**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**TOWN OF WISE, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**SCHEDULE 13**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
<u><b>U.S. DEPARTMENT OF JUSTICE</b></u>			
Passed through VA Department of Criminal Justice			
Byrne Justice Assistance Grant Program	16.738	N/A	2,376
Total U.S. Department of Justice			<u>2,376</u>
<u><b>U.S. DEPARTMENT OF TRANSPORTATION</b></u>			
Passed through VA Department of Transportation			
Highway Safety Improvement Grant *	20.205	N/A	1,177,353
Highway Planning and Construction	20.205	N/A	444,942
Total Department of Transportation			<u>1,622,295</u>
<u><b>U.S. DEPARTMENT OF TRANSPORTATION</b></u>			
Passed through VA Department of Motor Vehicles			
Alcohol Traffic Safety & Drunk Driving Prevention	20.616	N/A	11,711
Total Department of Transportation			<u>11,711</u>
<u><b>U.S. DEPT OF AGRICULTURE</b></u>			
Direct			
Rural Business Development Grant	10.351	N/A	17,500
Total U.S. Department of Agriculture			<u>17,500</u>
<u><b>U.S. DEPARTMENT OF THE TREASURY *</b></u>			
American Rescue Plan Act			
Coronavirus Local Fiscal Recovery Fund	21.027	N/A	59,723
Total U.S. Department of the Treasury			<u>59,723</u>
<u><b>U.S. DEPARTMENT OF THE INTERIOR</b></u>			
Passed through VA Department of Mines, Minerals, and Energy			
Abandoned Mine Land Reclamation	15.252	N/A	33,800
Total U.S. Department of the Interior			<u>33,800</u>
Total Federal Expenditures			<u>\$ 1,747,405</u>

\*Major Program

See accompanying notes to schedule of expenditures of federal awards.

See accompanying independent auditors' report.

TOWN OF WISE, VIRGINIA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023

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**1. GENERAL**

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

**2. BASIS OF ACCOUNTING**

The Schedule is presented in the accrual basis of accounting for the proprietary funds, as described in Note 1 to the Town's basic financial statements. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. For the year ended June 30, 2023, the Town of Wise, Virginia did not participate in any federal programs in which non-cash benefits were provided through the State to eligible participants.

**3. RELATIONSHIP TO THE FINANCIAL STATEMENTS**

Federal expenditures are reported in the reporting entity financial statements as follows:

Revenue from the Federal government – financial statements	\$ 1,747,405
Loan Proceeds from the Federal government – financial statements	-0-
Add (subtract) Federal Awards revenue recognized:	
In prior fiscal years, spent this fiscal year	-0-
In current fiscal years, but not spent	-0-
Expenditures of Federal awards	<u>\$ 1,747,405</u>

**4. SUB-RECIPIENT PAYMENTS**

The Town did not expend any funds to a subrecipient during the fiscal year ended June 30, 2023.

**5. INDIRECT COST RATE**

The Town has not elected to use the 10% de minimus indirect cost rate discussed in UG Section 200.414.

**TOWN OF WISE, VIRGINIA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2023**

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**A. Summary of Auditors' Results**

1. The type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles. **UNMODIFIED**
2. Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
  - Material weaknesses: **NO**
  - Significant deficiencies: **NONE REPORTED**
3. Noncompliance, which is material to the financial statements: **NO**
4. Internal control deficiencies over major programs disclosed by the audit:
  - Material weaknesses: **NO**
  - Significant deficiencies: **NONE REPORTED**
5. The type of report issued on compliance for major programs: **UNMODIFIED**
6. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **NO**
7. Major programs:
  - U.S DEPARTMENT OF TRANSPORTATION: Highway Safety Improvement Grant – CFDA No. 20.205
8. Dollar threshold to distinguish between Type A and B Programs: **\$750,000**
9. Auditee qualified as a low-risk auditee: **NO**

**B. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

NONE

**C. Findings and Questioned Costs Relating to Federal Awards**

NONE

## **COMPLIANCE**

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## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and with the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and the business-type activities of the Town of Wise, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 21, 2023.

### **Report on Internal Control Over Financial Reporting**

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

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

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

The Honorable Council Members of the  
Town of Wise  
Wise, Virginia 24293  
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deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Wise, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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



Larry D. Sturgill, P.C.  
Wise, VA  
November 21, 2023

# LARRY D. STURGILL, P. C.

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

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

### Report on Compliance for Each Major Federal Program

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

We have audited The Town of Wise, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2023. The Town's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Wise, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

#### *Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Wise, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Wise, Virginia's compliance with the compliance requirements referred to above.

#### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town of Wise, Virginia's federal programs.



***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town of Wise, Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance with it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Wise, Virginia's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town of Wise, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town of Wise, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town of Wise, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The Honorable Members of Town Council  
Town of Wise  
Wise, Virginia 24293  
Page 3

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

A handwritten signature in black ink that reads "Larry D. Sturgill P.C." The signature is written in a cursive, flowing style.

Larry D. Sturgill, P.C.  
Wise, Virginia  
November 21, 2023

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## **INDEPENDENT AUDITORS' COMMENTS ON RESOLUTION OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2022**

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, P.C.  
November 21, 2023

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