

# County of Wise, Virginia

## Comprehensive Annual Financial Report



For the Fiscal Year Ended  
June 30, 2020

**COUNTY OF WISE, VIRGINIA**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2020**

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**COUNTY OF WISE, VIRGINIA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2020**

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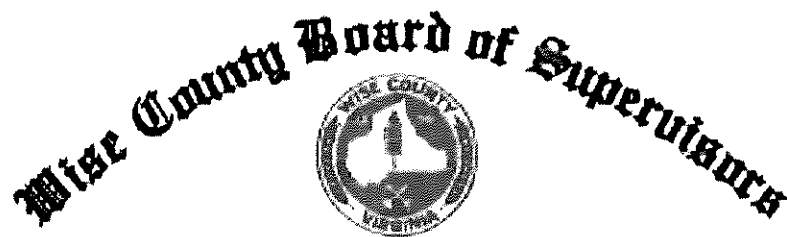
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## INTRODUCTORY SECTION

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**COURTHOUSE**

**WISE, VIRGINIA 24293**

**TELEPHONE 276-328-2321  
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**P.O. BOX 670  
200 E. MAIN STREET**

**CAFR- LETTER OF TRANSMITTAL**

March 25, 2021

To The Honorable Members of the Board of Supervisors  
To the Citizens of Wise County  
County of Wise, Virginia

I am pleased to present the Comprehensive Annual Financial Report of the County of Wise, Virginia, for the fiscal year ended June 30, 2020. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. I believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

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

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

**BUDGETARY CONTROLS**

In addition to the internal accounting controls noted above, the County also maintains budgetary controls. These budgetary controls ensure compliance with provisions embodied in the annual appropriated budget approved by the Board of Supervisors. A budget is approved for the General, Emergency Numbers, Sewer Enterprise, and Landfill Enterprise funds. Within the General Fund budget, annual appropriations are made to supplement the Emergency Numbers, Sewer, and Landfill enterprise funds.



As a recipient of federal and state financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations. The audit for the fiscal year ended June 30, 2020 has been completed and there were no material violations of laws and regulations. The County adopts an annual budget by July 1 of each year required by 15.2-2503, Code of Virginia of 1950, as amended. A budget is not required for fiduciary funds. When necessary, the Board of Supervisors approves amendments to the adopted budget in accordance with 15.2-2507, Code of Virginia of 1950, as amended. Budgetary compliance is mentioned and reported at the department level. The budget expenditures, as implemented through appropriations that the Board makes quarterly, may be greater or less than contemplated in the original budget.

## **THE REPORTING ENTITY AND ITS SERVICES**

The County of Wise report includes all funds and account groups of the “primary government.” In Virginia, cities and counties are distinct units of government; therefore, the County is responsible for providing all services normally provided by a local government. These services include public safety, social services, recreation and cultural activities, and community development. For financial reporting purposes and in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, “The Financial Reporting Entity,” as amended by GASB Statement 61 “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34,” the County has identified three discretely reported component units. The GASB statements establish the criteria used in making the component unit determination and whether to identify each as a blended component unit or discretely presented component unit. Blended component units, although legally separate entities, are, in substance, part of the primary government’s operations and are included as a part of the primary government. Because the component units identified do not meet this definition, the County School Board, Wise County Industrial Development Authority and the Wise County Public Service Authority are reported in a discrete presentation. Based upon GASB Statement No. 14 and No. 61 criteria, the School Board is a legally separate organization providing educational services to the public whose board is elected and is fiscally dependent on the local government.

### **Local Economy**

Wise County is located in Southwest Virginia, approximately 50 miles northwest of Bristol, Virginia. The county encompasses a land area of 407 square miles with a population of 41,452. US routes 23 and 58 and State routes 83, 72, 74, 78, 160, 620, 646, 640 and 636 are the primary routes that transverse the County. Wise County has a diversified economy with manufacturing, trade services, coal mining, and agricultural sectors. Manufacturing activities include: hardwood flooring, carbonized coal products, and steel molding and fabrication. Wise County has a coal-fired utility plant that came online during calendar 2012. Service industries include: technology call centers, telecommunications, food, health care, education, and government. Agriculture remains important in Wise County’s economy, with beef cattle the principal livestock, and apples, vineyard grapes, tobacco and hay as the cash crops.

Wise County has experienced an increase in unemployment recently due to the impact of layoffs in the coal industry and as a result of the COVID-19 Pandemic. The unemployment rate is well above the national average, but we have recently added some new facilities.

## **MAJOR INITIATIVES**

### **For Fiscal Year 2020**

Following the goals and objectives established by the County of Wise Board of Supervisors, and with the assistance and guidance of the County's Administrator, County Attorney, and County Finance Director, County staff agencies implemented and continued a number of specific "programs" designed to provide County residents with cost efficient government while enhancing their home and employment environment.

#### **Major initiatives begun, continued, or implemented this fiscal year are:**

- Discussion continues between Wise County and VDOT officials regarding development of Innovation Highway between US Route 58 and State Route 646 to service access to the Lonesome Pine Business and Technology Park, the Lonesome Pine Airport, UVA-Wise and the Wise County Fair Grounds. In November 2012 VDOT placed the Innovation Highway on the Six-Year-Plan and appropriated \$425,000 for preliminary engineering.
- Discussions began on a hydroelectric plant to be located in Southwest Virginia. The legislation passed in 2017 indicates that nine counties and the City of Norton would share the associated tax revenue regardless of which County the facility was located in. If this project moves forward this could add substantial dollars to the Wise County budget. The counties were directed by legislators to work together to develop a "fair" revenue sharing formula.
- Wise County approve the five-year update to the County's Comprehensive Plan which was first completed in 1998 with a major focus on where we are, the direction of the County (both actual and desired) and planning for the next 5, 10, 15 and 20 years. This will be a "road map" for Wise County's future.
- The Wise County Industrial Development Authority and DP Facilities, Inc. announced in November 2015 that a 65,000 sq. ft. data center known as Mineral Gap would be built in the Wise County Technology Park. The facility is now fully operational. This data center is a Tier III center and will accommodate a variety of tenants for their critical data backup needs. There are approximately 30 full-time jobs at the facility. This project was made possible by VCEDA, private investment and funding from the Virginia Tobacco Commission and the Department of Housing and Community Development. In 2021, DP Facilities will begin construction on a solar array which will help reduce costs and help them to reduce other clients to the facility.
- Extensive expansion of Sykes Enterprises project that services Intuit, Turbo Tax, Quick Books, and Mint which is providing employment for 1,000 area residents.
- The Wise County and Dickenson County portions of the Pound River have been designated a Virginia Scenic River.

#### **Prospects for the Future**

- With the completion of the long awaited new High Knob Tower, plans are already underway by stakeholders and members of the High Knob Enhancement group to bring more attention

to the assets of the High Knob Recreational area, the Jefferson National Forest and the entire area that surrounds it.

- Wise County is working diligently to acquire additional economic development projects. Hopes are to attract companies in the areas of aerial unmanned vehicles, additional data centers, and other companies to further diversify our economy. Additionally, Wise County is looking into the possibility of adding PPE manufacturing to our region.
- Working with the Crooked Road Board of Directors and the Executive Board of TCR, Wise County has begun plans along with the other 18 counties and 4 cities that make up the Crooked Road to bring to the entire footprint of the Crooked Road-a nine (9) day-330 mile long continuous Old Time and Bluegrass Music Festivals known as Mountains of Music Homecoming. Plans are underway to raise hundreds of thousands of dollars to promote and produce this music festival which is scheduled to take place June 15, 2020. National acts will hopefully be scheduled for major venues of this region.
- The Wise County IDA continues to work with the Cumberland Airport Commission for the necessary physical expansion of the airport property to allow for installation of equipment necessary for instrument landing at the Lonesome Pine Airport.
- The Clinch River Valley Initiative (CRVI) is an effort to build local economies in the coalfields of Southwest Virginia, focusing on the Clinch River which is one of the most bio-diverse river systems in North America. Wise County is working in conjunction with other counties and state agencies to assure the success of this effort and to maximize the benefits for Wise County. The primary goal of CRVI is to connect downtown revitalization, river access points, water quality, entrepreneurship and environmental education along the Clinch River. Clinch River State Park has been designated by Virginia as a state park. Long range planning includes the integration of access points, trails, and campgrounds along the Clinch River.
- Wise County is working on improvements to all their websites and social platform pages as well as making significant improvements to WiseTV.

For the 2020-2021 Fiscal Year, the Board of Supervisors approved a General Fund Operating Budget of \$56,148,632.

### **Cash Management**

Cash temporarily idle during the year was invested in time deposits and various authorized money market instruments. The amount of interest and dividends received was \$338,696. This is a decrease from interest and dividends earned on temporary investments in Fiscal Year 2018-2019 when the interest on investments totaled \$438,436.

## **OTHER INFORMATION**

### **Management's Discussion and Analysis**

Generally accepted accounting principles require management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and

should be read in conjunction with it. The County of Wise's MD&A can be found immediately following the report of the independent auditors.

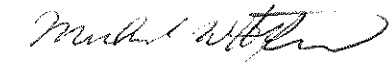
### **Independent Auditor**

The Commonwealth of Virginia requires an annual audit of the financial records and transactions of all departments of the County by independent certified public accountants selected by the Board of Supervisors. The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget's Uniform Guidance, Audits of States, Local Government and Non-Profit Organizations. Information related to this single audit, including the findings and recommendations, and auditor's reports on the internal control structure and compliance with laws and regulations, is contained in this report. These requirements have been complied with the auditor's opinion included in this report.

### **Acknowledgements**

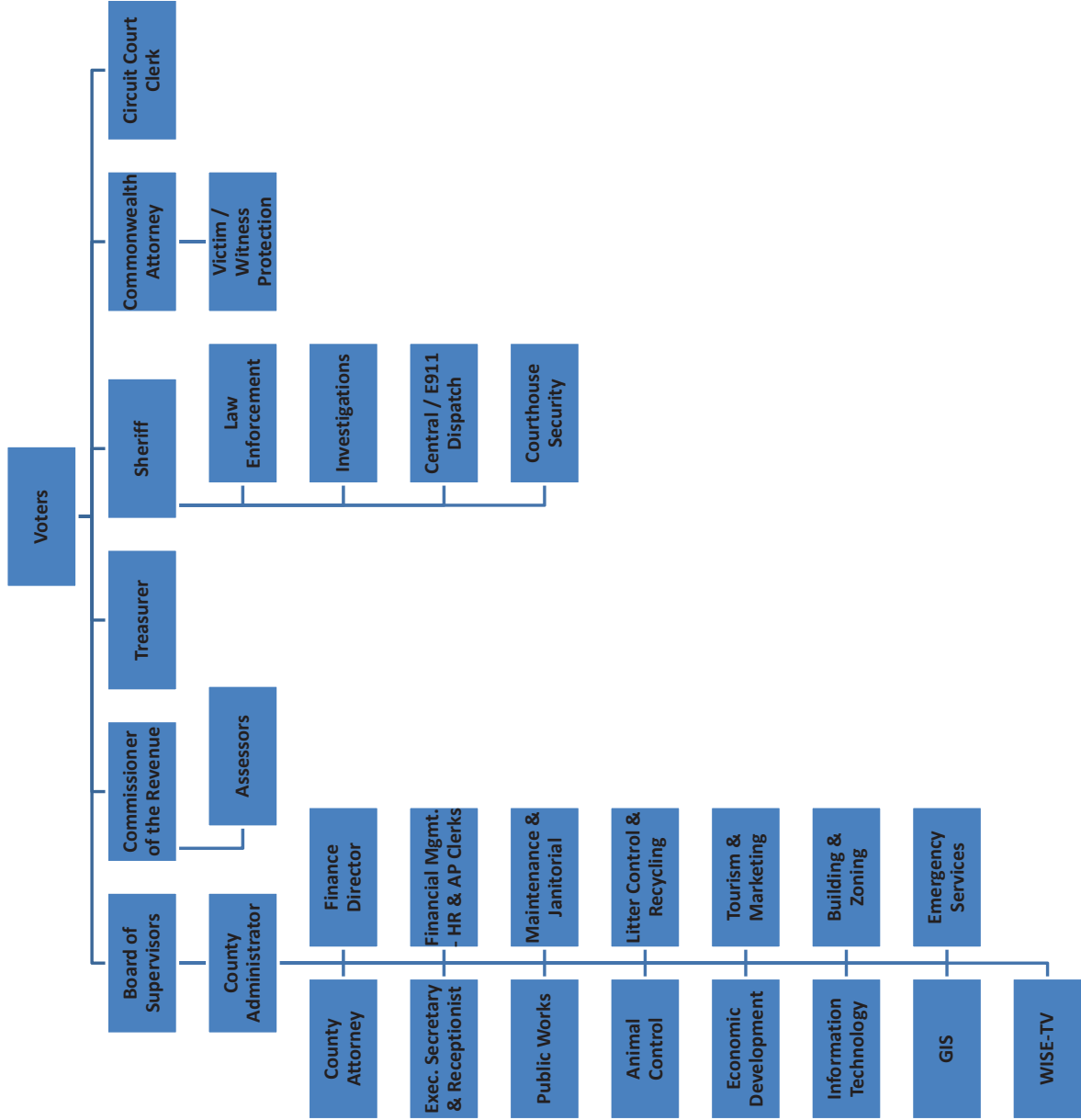
I would also like to thank the Board of Supervisors for their interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,



Michael W. Hatfield  
County Administrator

# Wise County, Virginia Organizational Structure Chart



## COUNTY OF WISE, VIRGINIA

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### BOARD OF SUPERVISORS

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Robert R. Adkins	J. H. Rivers, Chairperson	John Schoolcraft
James Lawson	Steve Bates, Vice Chairperson	Fred Luntsford
Robert Robbins		Bobby Cassell

### COUNTY SCHOOL BOARD

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Martha Jett	Larry Greear, Chairperson	Dr. Mark Raymond
Herbert Shortt	Phillip Bates, Vice Chairperson	John Graham
Donnese Kern		Vicki Williams
	Judy Durham, Clerk of the School Board	

### PUBLIC SERVICE AUTHORITY

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J.H. Rivers, Treasurer	Ralph Gilley, Chairperson	Hibert Tackett Jr.
Worley Smith	Fred Luntsford, Vice Chairperson	Robert R. Adkins
Bob Adkins		Ruthie Rainey

### SOCIAL SERVICES BOARD

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Darlene B. Moore	Wayne Wheatly, Chairperson	Danny Stallard
Bobby Cassell	John D. Cassell, Vice Chairperson	Steve Bates
Duane Miller		Dianne Abbott
Charles Miller		

# COUNTY OF WISE, VIRGINIA

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## OTHER OFFICIALS

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### COUNTY ADMINISTRATION

County Administrator ..... Michael W. Hatfield  
County Attorney ..... Karen T. Mullins

### CONSTITUTIONAL OFFICERS

Clerk of the Circuit Court ..... Jack Kennedy  
Commonwealth's Attorney ..... Charles Slemp  
Commissioner of the Revenue ..... Douglas Mullins Jr.  
Treasurer ..... Delores W. Smith  
Sheriff ..... Grant Kilgore

### COURTS

Chief Judge of the Circuit Court ..... John C. Kilgore  
Judge of the Circuit Court ..... Ronald Kelley Elkins  
Judge of the Circuit Court ..... Jeffrey Hamilton  
Judge of the Circuit Court ..... Tammy McElvea  
Chief Judge of the District Court ..... Shawn L. Hines  
Judge of the District Court ..... Andrew L. Johnson  
Chief Judge of Juvenile & Domestic Relations Court ..... Elizabeth Wills  
Judge of Juvenile & Domestic Relations Court ..... Marcus McClung  
Judge of Juvenile & Domestic Relations Court ..... Michelle Jenkins

### COMPONENT UNITS

Superintendent of Schools ..... Greg Mullins  
Director of Public Service Authority ..... Alan Harrison

### OTHER

Director of Social Services ..... Jennifer Lilly

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## FINANCIAL SECTION

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

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**Independent Auditors' Report**

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**To the Honorable Members of  
the Board of Supervisors  
County of Wise, Virginia**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit-School Board, each major fund, and the aggregate remaining fund information of the County of Wise, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Public Service Authority (PSA) or the Industrial Development Authority (IDA), which represent 41.49% and 31.35% of the total assets of the discretely presented component units, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the PSA and IDA, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit-School Board, each major fund, and the aggregate remaining fund information of the County of Wise, Virginia, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 7-14, 103-104, and 105-123 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

#### ***Supplementary and Other Information***

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

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the other supplementary information and the schedule of

expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2021, on our consideration of the County 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 County 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 the County of Wise, Virginia's internal control over financial reporting and compliance.

*Robinson, Jarmon, Cox, Associates*  
Blacksburg, Virginia  
March 1, 2021



## Office of County Administrator

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COURTHOUSE

WISE, VIRGINIA 24293

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March 15, 2021

### MANAGEMENT'S DISCUSSION AND ANALYSIS

To the Honorable Members of the Board of Supervisors  
To the Citizens of Wise County  
County of Wise, Virginia 24293

As management of the County of Wise, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page i-v of this report.

#### Financial Highlights

The assets and deferred outflows of the County exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$23,755,053 (net position). Of this amount, \$11,007,206 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, the County's funds reported combined ending fund balances of \$30,440,314, an increase of \$4,031,813 in comparison with the prior year. Approximately 53% of this total amount, \$16,112,251 is available for spending at the County's discretion (unassigned fund balance).

At the end of the current fiscal year, unassigned fund balance for the general fund was \$16,112,251, or 30% of total general fund expenditures.

The County of Wise, Virginia's total government activity debt increased by \$3,786,168. Although bonds were reduced by \$1,578,919, various capital equipment was increased by \$3,402,393 due to leases, as well as a \$1,962,694 increase in payroll related liabilities.

## Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are composed of three components:

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

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

Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net position presents information showing the County's assets and deferred outflows and liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County'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 the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, courts, police protection, sanitation, social services, education, cultural events, and recreation.

The Government-wide financial statements include not only the County of Wise, Virginia itself (known as the primary government), but also a legally separate school district, Public Service Authority, and an Industrial Development Authority for which the County of Wise, Virginia is financially accountable. Financial information for these component units is reported separately from financial information presented for the primary government itself.

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 County of Wise, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as Governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balance 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.

## **Overview of the Financial Statements (Continued)**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare 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 County'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 County maintains an individual general fund and many special revenue funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Special Revenue funds.

The County adopts an annual appropriated budget for its General Fund, Emergency Numbers, Coal Road Improvement, School Board and Law Library Funds. A budgetary comparison statement has been provided for those funds to demonstrate compliance with its budget.

**Fiduciary funds** - The County is the trustee, or fiduciary, for the County's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. Agency funds are County custodial funds used to provide accountability of client monies for which the County is custodian.

**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.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules, schedules related to pension and OPEB funding, and presentation of combining financial statements for the discretely presented component unit School Board. The School Board does not issue separate financial statements.

## **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets and deferred outflows of the County exceeded its liabilities and deferred inflows by \$23,755,053 at the close of the most recent fiscal year.

A portion of the County's net position (40%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The county uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

**County of Wise, Virginia's Net Position**

	<b><u>Primary Governmental Activities and Business-Type Activities</u></b>	
	<b><u>2019*</u></b>	<b><u>2020</u></b>
Current and other assets	\$ 57,483,974	\$ 64,208,243
Capital assets	<u>77,430,100</u>	<u>76,068,080</u>
Total assets	<u>\$ 134,914,074</u>	<u>\$ 140,276,323</u>
Deferred outflows of resources	<u>\$ 2,418,698</u>	<u>\$ 3,695,608</u>
Long-term liabilities outstanding	\$ 73,802,325	\$ 91,613,789
Current liabilities	<u>20,756,607</u>	<u>8,797,956</u>
Total liabilities	<u>\$ 94,558,932</u>	<u>\$ 100,411,745</u>
Deferred inflows of resources	<u>\$ 19,877,062</u>	<u>\$ 19,805,133</u>
Net Investment in Capital Assets	\$ 8,963,784	\$ 8,976,559
Restricted- Capital Projects	204,174	282,165
Restricted -Other Purposes	3,299,189	3,489,123
Unrestricted	<u>10,429,631</u>	<u>11,007,206</u>
Total Net Position	<u>\$22,896,778</u>	<u>\$23,755,053</u>

\*Amounts have not been updated for the restatement disclosed in Note 26.

At the end of the current fiscal year, the County is able to report positive net position, both for the County as a whole and as well as for its separate governmental and business-type activities.

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

**Governmental Activities** - Governmental and business-type activities increased the County's net position by \$858,275.

Key elements of this increase are as follows:

**County of Wise, Virginia's Change in Net Position**

	<b><u>Primary Governmental Activities and Business-Type Activities</u></b>	
	<b><u>2019*</u></b>	<b><u>2020</u></b>
Revenues:		
Program revenues:		
Charges for services	\$ 565,377	\$ 576,553
Operating grants and contributions	18,426,885	18,237,114
General Revenues:		
Property taxes	\$ 28,312,695	\$ 28,169,580
Other Local taxes	5,840,209	5,555,965
Grants & Contributions	2,596,777	2,567,104
Other	1,036,322	916,285
Total revenues	<u>\$ 56,778,265</u>	<u>\$ 56,022,601</u>
Expenses		
General government	\$ 3,177,209	\$ 2,957,136
Judicial administration	3,059,783	3,514,730
Public safety	10,602,502	11,607,368
Public works	1,347,697	1,354,630
Health and welfare	11,600,611	12,722,714
Education	12,523,405	12,427,899
Parks, recreation and culture	956,101	963,477
Community development	3,151,793	2,735,920
Interest	2,310,715	2,736,556
Business-type activities	4,089,243	4,143,896
Total expenses	<u>\$ 52,819,059</u>	<u>\$ 55,164,326</u>
Increase (decrease) in Net Position	\$ 3,959,206	\$ 858,275
Net Position - beginning	<u>18,937,572</u>	<u>22,896,778</u>
Net Position - ending	<u>\$ 22,896,778</u>	<u>\$ 23,755,053</u>

\*Amounts have not been updated for the restatement disclosed in Note 26.



## **Financial Analysis of the County's Funds**

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

**Governmental Funds** - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$30,440,314 an increase of \$4,031,813. Approximately 53% of this total amount, \$16,112,251, constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance is restricted, committed, and non-spendable to indicate that is not available for new spending because it has already been committed for:

- Future special revenue expenditures
- Future debt service
- Future EMS-Fire expenditures
- Future blighted properties expenditures
- Future employee benefits

The General Fund is the operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$16,112,251, while the total fund balance was \$26,673,751. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

Major and Non-Major special revenue and capital project funds have a total fund balance of \$3,766,563, all of which is restricted or committed for future projects. The fund balance increased \$269,474 during the current year.

## **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were \$5,074,951 (increase in appropriations) and can be briefly summarized as follows:

- \$14,896 increase in general government administration
- \$81,844 increase in judicial administration
- \$3,758,563 increase in public safety expenditures
- \$1,750 increase in public works expenditures
- \$10,000 increase in health and welfare
- \$1,091,384 increase in education
- \$5,834 increase in parks, recreation, and cultural
- \$87,187 increase in community development
- \$23,493 increase in non-departmental

## Capital Asset and Debt Administration

**Capital assets** - The County's investment in capital assets for its governmental activities as of June 30, 2020 amounts to \$67,161,287 (net of accumulated depreciation). The County's investment in capital assets for its business-type activities as of June 30, 2020 amounts to \$8,906,793 (net of accumulated depreciation). This investment in capital assets includes land, buildings and equipment.

### Change in Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
Land	\$ 2,195,643	\$ 2,195,643	\$ 314,816	\$ 314,816
Construction in Progress	-	-	43,675	-
Buildings and infrastructure	91,024,069	91,803,662	16,316,119	15,749,016
Equipment	6,888,418	7,564,146	5,083,820	5,690,968
Total Capital Assets	\$ 100,108,130	\$ 101,563,451	\$ 21,758,430	\$ 21,754,800
Less: Accumulated Depreciation	\$ (32,335,972)	\$ (34,402,164)	\$ (12,100,488)	\$ (12,848,007)
Net Capital Assets	\$ 67,772,158	\$ 67,161,287	\$ 9,657,942	\$ 8,906,793

Additional information on the County's capital assets can be found in Note 10.

**Long-term obligations** - At the end of the current fiscal year, the County had total governmental activity obligations of \$81,472,796, including claims, judgments, pension liabilities, OPEB liabilities, and compensated absences of \$15,406,024. The County had total business-type activity obligations outstanding of \$14,115,503, including claims, judgments, landfill closure and post closure liabilities, pension liabilities, OPEB liabilities, and compensated absences of \$10,786,407.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
Bonds	\$ 64,191,918	\$ 62,612,999	\$ 3,888,104	\$ 3,329,096
Capital Leases	51,380	3,453,773	49,364	-
Net Pension Liability	8,653,538	10,341,521	492,630	627,197
Net OPEB Liabilities	4,223,210	4,443,913	158,200	161,302
Landfill Closure/Post Closure Liability	-	-	9,386,288	9,875,022
Compensated Absences	566,582	620,590	108,021	122,886
Total Long-term Obligations	\$ 77,686,628	\$ 81,472,796	\$ 14,082,607	\$ 14,115,503

Of the total governmental and business-type obligations, \$65,942,095 comprises debt backed by the full faith and credit of the County.

During the current fiscal year, the County's total primary government long-term obligations increased by \$3,786,168. Although bonds were reduced by \$1,578,919, various capital equipment was increased by \$3,402,393 due to leases, as well as a \$1,962,694 increase in payroll related liabilities.

Additional information on the County of Wise, Virginia's long-term obligations can be found in Note 6 of this report.

### **Economic Factors**

The unemployment rate is one of the factors considered in preparing the County's budget for the 2021 fiscal year. The October 2020 unemployment rate for the County is 5.8 percent, which is an increase from the rate of 4.1 percent in 2019. This is higher than the state's unemployment rate of 5.3 percent and is below the national average rate of 6.9 percent as of October 2020.

All of these factors were considered in preparing the County's budget for the 2021 fiscal year.

### **Budget and Rates**

The approved budget is \$56,148,632.47 for fiscal year 2020-2021. The tax rates for the 2020-2021 year are as follows: .69 per \$100 value for real estate, mobile home taxes, and public utilities real estate, 1.65 per \$100 of assessed value for personal property and public service personal property, 2.85 per \$100 of assessed value for merchants capital, and 1.41 per \$100 of assessed value for machinery and tools.

### **Acknowledgements**

This financial report is designed to provide a general overview of the County of Wise, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Michael W. Hatfield, County Finance Administrator, P.O. Box 570, Wise, Virginia 24293.

## **Basic Financial Statements**

County of Wise, Virginia  
Statement of Net Position  
June 30, 2020

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	Public Service Authority	Industrial Development Authority
<b>ASSETS</b>						
Cash and cash equivalents	\$ 19,495,244	\$ 11,283	\$ 19,506,527	\$ 2,741,280	\$ 1,016,368	\$ 662,559
Investments	8,161,588	7,396,418	15,558,006	1,461,039	-	-
Receivables (net of allowance for uncollectibles):						
Taxes receivable	20,755,272	-	20,755,272	-	-	-
Other local taxes receivable	129,801	-	129,801	-	-	-
Accounts receivable	117,291	43,316	160,607	-	592,251	30,708
Notes receivable	150,000	-	150,000	-	-	2,848,051
Interest receivable	-	-	-	-	-	11,788
Due from component unit	1,198,752	-	1,198,752	-	-	-
Due from other governmental units	3,562,545	-	3,562,545	1,903,827	90,464	-
Internal balances	212,898	(212,898)	-	-	-	-
Prepaid items	199,140	-	199,140	336,226	-	-
Restricted assets:						
Cash and cash equivalents	-	-	-	-	2,149,467	250,726
Investments	2,561,343	-	2,561,343	-	-	-
Property	-	-	-	-	-	250,190
Net pension asset	-	-	-	-	322,870	-
Other assets (net of amortization)	-	426,250	426,250	-	-	144,000
Capital assets (net of accumulated depreciation):						
Land	2,195,643	314,816	2,510,459	1,973,463	244,719	3,798,729
Buildings and improvements	63,022,270	-	63,022,270	24,829,462	621,694	31,345,891
Machinery and equipment	1,943,374	497,322	2,440,696	2,853,460	46,681,031	2,286,858
Infrastructure	-	8,094,655	8,094,655	-	471,554	-
Construction in progress	-	-	-	-	2,952,899	32,833
Total assets	\$ 123,705,161	\$ 16,571,162	\$ 140,276,323	\$ 36,098,757	\$ 55,143,317	\$ 41,662,333
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension related items	\$ 2,552,875	\$ 154,364	\$ 2,707,239	\$ 10,377,821	\$ 101,912	\$ -
OPEB related items	961,820	26,549	988,369	2,311,733	17,848	-
Total deferred outflows of resources	\$ 3,514,695	\$ 180,913	\$ 3,695,608	\$ 12,689,554	\$ 119,760	\$ -
<b>LIABILITIES</b>						
Accounts payable	\$ 713,716	\$ 90,555	\$ 804,271	\$ 914,968	\$ 357,465	\$ 131,178
Salaries payable	408,807	495	409,302	-	36,319	-
Customer deposits	-	-	-	-	446,705	-
Accrued interest payable	739,116	33,406	772,522	-	11,379	-
Due to primary government	-	-	-	1,198,752	-	-
Unearned revenue	2,837,351	-	2,837,351	-	-	-
Long-term liabilities:						
Due within one year	3,307,063	667,447	3,974,510	238,115	468,973	3,078,310
Due in more than one year	78,165,733	13,448,056	91,613,789	64,088,447	7,837,871	12,422,636
Total liabilities	\$ 86,171,786	\$ 14,239,959	\$ 100,411,745	\$ 66,440,282	\$ 9,158,712	\$ 15,632,124
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred revenue - property taxes	\$ 18,082,648	\$ -	\$ 18,082,648	\$ -	\$ -	\$ -
Deferred charge on refunding	256,996	-	256,996	-	-	-
Pension related items	677,814	41,173	718,987	8,077,137	188,242	-
OPEB related items	713,210	33,292	746,502	2,309,360	5,451	-
Total deferred inflows of resources	\$ 19,730,668	\$ 74,465	\$ 19,805,133	\$ 10,386,497	\$ 193,693	\$ -
<b>NET POSITION</b>						
Net investment in capital assets	\$ 3,398,862	\$ 5,577,697	\$ 8,976,559	\$ 29,656,385	\$ 42,848,891	\$ 24,811,416
Restricted:						
Construction	282,165	-	282,165	-	-	-
Asset forfeiture funds	166,504	-	166,504	-	-	-
Law library funds	4,725	-	4,725	-	-	-
Coal road funds	3,317,894	-	3,317,894	-	431,942	-
Debt services reserves	-	-	-	-	1,056,752	-
Dominion replacement funds	-	-	-	-	209,699	-
Community development	-	-	-	-	-	500,916
Textbooks	-	-	-	1,590,732	-	-
School Cafeteria	-	-	-	2,401,694	-	-
Unrestricted	14,147,252	(3,140,046)	11,007,206	(61,687,279)	1,363,388	717,877
Total net position	\$ 21,317,402	\$ 2,437,651	\$ 23,755,053	\$ (28,038,468)	\$ 45,910,672	\$ 26,030,209

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

County of Wise, Virginia  
Statement of Activities  
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	Component Units
								School Board
								Public Service Authority
								Industrial Development Authority
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:								
General government administration	\$ 2,957,136	\$ 10,568	\$ 439,746	\$ -	\$ (2,506,822)	\$ -	\$ (2,506,822)	
Judicial administration	3,514,730	9,663	1,415,352	-	(2,089,715)	-	(2,089,715)	
Public safety	11,607,368	106,864	4,888,950	-	(6,611,554)	-	(6,611,554)	
Public works	1,354,630	8,224	370,635	-	(975,771)	-	(975,771)	
Health and welfare	12,722,714	-	9,908,614	-	(2,814,100)	-	(2,814,100)	
Education	12,427,899	-	-	-	(12,427,899)	-	(12,427,899)	
Parks, recreation, and cultural	963,477	-	10,197	-	(953,280)	-	(953,280)	
Community development	2,735,920	-	1,192,820	-	(1,543,100)	-	(1,543,100)	
Interest on long-term debt	2,736,556	-	-	-	(2,736,556)	-	(2,736,556)	
Total governmental activities	\$ 51,020,430	\$ 135,319	\$ 18,226,314	\$ -	\$ (32,658,797)	\$ -	\$ (32,658,797)	
Business-type activities:								
Landfill	\$ 3,503,296	\$ 441,234	\$ 10,800	\$ -	\$ -	\$ (3,051,262)	\$ (3,051,262)	
Sewer	640,600	-	-	-	-	(640,600)	(640,600)	
Total business-type activities	\$ 4,143,896	\$ 441,234	\$ 10,800	\$ -	\$ -	\$ (3,691,862)	\$ (3,691,862)	
Total primary government	\$ 55,164,326	\$ 576,553	\$ 18,237,114	\$ -	\$ (32,658,797)	\$ (3,691,862)	\$ (36,350,659)	
<b>COMPONENT UNITS:</b>								
School Board	\$ 60,281,448	\$ 516,013	\$ 47,762,450	\$ -	\$ -	\$ (12,002,985)	\$ (12,002,985)	\$ -
Public Service Authority	4,785,422	3,714,468	-	2,313,646	-	-	-	1,242,692
Industrial Development Authority	2,204,967	-	206,841	-	-	-	-	-
Total component units	\$ 67,271,837	\$ 4,230,481	\$ 47,969,291	\$ 2,313,646	\$ -	\$ -	\$ -	\$ 1,242,692
General revenues:								
General property taxes					\$ 28,169,580	\$ -	\$ 28,169,580	\$ -
Other local taxes:								
Local sales and use taxes					2,864,553	-	2,864,553	-
Coal severance taxes					1,809,213	-	1,809,213	-
Consumers' utility taxes					467,244	-	467,244	-
Other local taxes					414,955	-	414,955	-
Unrestricted revenues from use of money and property					447,258	116,941	564,199	50,066
Miscellaneous					326,645	25,441	352,086	13,200
Payments from the County of Wise					-	-	-	12,373,343
Grants and contributions not restricted to specific programs					-	-	-	136,137
Gain on disposal of capital assets					2,567,104	-	2,567,104	-
Transfers					-	-	-	(449,417)
Total general revenues and transfers					(3,475,000)	3,475,000	-	-
Change in net position					\$ 33,591,552	\$ 3,617,382	\$ 37,208,934	\$ 12,436,609
Net position - beginning					\$ 932,755	\$ (74,480)	\$ 858,275	\$ 433,624
Net position - ending					\$ 20,384,647	\$ 2,512,131	\$ 22,896,778	\$ (28,472,092)
					\$ 21,317,402	\$ 2,437,651	\$ 23,755,053	\$ (28,038,468)

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

County of Wise, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2020

	General Fund	Coal Road Improvement Fund	Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 17,296,127	1,977,357	\$ 221,760	\$ 19,495,244
Investments	6,616,753	1,316,946	227,889	8,161,588
Receivables (net of allowance for uncollectibles):				
Taxes receivable	20,755,272	-	-	20,755,272
Other local taxes receivable	129,801	-	-	129,801
Accounts receivable	73,502	43,789	-	117,291
Notes receivable	150,000	-	-	150,000
Due from other funds	294,984	56,716	-	351,700
Due from component unit	1,198,752	-	-	1,198,752
Due from other governmental units	3,427,757	-	134,788	3,562,545
Prepaid items	199,140	-	-	199,140
Restricted assets:				
Temporarily restricted:				
Investments	2,561,343	-	-	2,561,343
Total assets	<u>\$ 52,703,431</u>	<u>\$ 3,394,808</u>	<u>\$ 584,437</u>	<u>\$ 56,682,676</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 583,120	\$ 76,914	\$ 53,682	\$ 713,716
Salaries payable	408,807	-	-	408,807
Due to other funds	56,716	-	82,086	138,802
Unearned revenue	2,837,351	-	-	2,837,351
Total liabilities	<u>\$ 3,885,994</u>	<u>\$ 76,914</u>	<u>\$ 135,768</u>	<u>\$ 4,098,676</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	<u>\$ 22,143,686</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,143,686</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid items	\$ 199,140	\$ -	\$ -	\$ 199,140
Restricted:				
Capital Projects Fund	-	-	282,165	282,165
Coal Road Improvement Fund	-	3,317,894	-	3,317,894
Forfeited Assets Fund	-	-	166,504	166,504
Law Library Fund	4,725	-	-	4,725
Unpsent capital lease proceeds	2,561,343	-	-	2,561,343
Committed:				
Debt Service	6,975,556	-	-	6,975,556
Blighted Properties	106,263	-	-	106,263
EMS-Fire	298,188	-	-	298,188
Assigned:				
Drug Court Fund	28,517	-	-	28,517
IT Fund	16,512	-	-	16,512
Software Engineering Fund	48,847	-	-	48,847
Dog and Cat Sterilization Fund	17,884	-	-	17,884
Transient Occupancy Fund	35,294	-	-	35,294
Supervisor Fees - SWVCC Fund	225,803	-	-	225,803
E-Summons Fund	6,480	-	-	6,480
E-911	1,786	-	-	1,786
Capital Projects Fund	35,162	-	-	35,162
Unassigned	16,112,251	-	-	16,112,251
Total fund balances	<u>\$ 26,673,751</u>	<u>\$ 3,317,894</u>	<u>\$ 448,669</u>	<u>\$ 30,440,314</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 52,703,431</u>	<u>\$ 3,394,808</u>	<u>\$ 584,437</u>	<u>\$ 56,682,676</u>

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

County of Wise, Virginia  
Reconciliation of the Balance Sheet of Governmental Funds  
To the Statement of Net Position  
June 30, 2020

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	30,440,314
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Jointly owned assets are included in the total capital assets.

Land	\$	2,195,643	
Buildings and improvements		63,022,270	
Machinery and equipment		1,943,374	67,161,287

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Unavailable revenue - property taxes		4,061,038
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$	2,552,875	
OPEB related items		961,820	3,514,695

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

General obligation bonds	\$	(46,948,003)	
Lease revenue notes		(13,655,000)	
Capital leases		(3,453,773)	
Unamortized premiums		(2,009,996)	
Deferred charges on refundings		(256,996)	
Accrued interest payable		(739,116)	
Net OPEB liabilities		(4,443,913)	
Net pension liability		(10,341,521)	
Compensated absences		(620,590)	(82,468,908)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$	(677,814)	
OPEB related items		(713,210)	(1,391,024)

Net position of governmental activities	\$	21,317,402
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The accompanying notes to the financial statements are an integral part of this statement.



County of Wise, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2020

	General <u>Fund</u>	Coal Road Improvement <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
<b>REVENUES</b>				
General property taxes	\$ 28,400,564	\$ -	\$ -	\$ 28,400,564
Other local taxes	4,680,714	875,251	-	5,555,965
Permits, privilege fees, and regulatory licenses	25,580	-	-	25,580
Fines and forfeitures	53,859	-	-	53,859
Revenue from the use of money and property	406,043	40,983	232	447,258
Charges for services	55,880	-	-	55,880
Miscellaneous	220,476	-	106,169	326,645
Recovered costs	1,532,262	-	-	1,532,262
Intergovernmental	19,228,651	-	1,564,767	20,793,418
Total revenues	\$ 54,604,029	\$ 916,234	\$ 1,671,168	\$ 57,191,431
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 3,475,972	\$ -	\$ -	\$ 3,475,972
Judicial administration	3,665,584	-	-	3,665,584
Public safety	12,705,308	-	96,921	12,802,229
Public works	884,772	222,177	-	1,106,949
Health and welfare	12,728,280	-	-	12,728,280
Education	15,530,526	-	-	15,530,526
Parks, recreation, and cultural	919,109	-	-	919,109
Community development	727,437	499,170	-	1,226,607
Nondepartmental	87,243	-	-	87,243
Capital projects	-	-	1,502,035	1,502,035
Debt service:				
Principal retirement	51,380	-	-	51,380
Bond issuance costs	42,477	-	-	42,477
Total expenditures	\$ 50,818,088	\$ 721,347	\$ 1,598,956	\$ 53,138,391
Excess (deficiency) of revenues over (under) expenditures	\$ 3,785,941	\$ 194,887	\$ 72,212	\$ 4,053,040
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ 2,375	\$ 2,375
Transfers out	(3,477,375)	-	-	(3,477,375)
Proceeds from issuance of capital leases	3,453,773	-	-	3,453,773
Total other financing sources (uses)	\$ (23,602)	\$ -	\$ 2,375	\$ (21,227)
Net change in fund balances	\$ 3,762,339	\$ 194,887	\$ 74,587	\$ 4,031,813
Fund balances - beginning	22,911,412	3,123,007	374,082	26,408,501
Fund balances - ending	\$ 26,673,751	\$ 3,317,894	\$ 448,669	\$ 30,440,314

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

County of Wise, Virginia  
Reconciliation of Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds	\$	4,031,813
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeded capital outlays in the current period.

Capital outlays	\$	1,455,321	
Depreciation expense		(2,066,192)	(610,871)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes			(230,984)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt Issued or Incurred:

Proceeds from capital leases	\$	(3,453,773)	
Proceeds from issuance of lease revenue bonds		(13,655,000)	
Proceeds from issuance of premiums		(1,635,752)	

Principal Payments:

General obligation bonds		1,880,000	
Lease revenue bonds		14,800,000	
Capital leases		51,380	(2,013,145)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Change in compensated absences	\$	(54,008)	
Change in accrued interest payable		103,957	
Changes to OPEB related items		(97,854)	
Changes to pension related items		(414,378)	
Amortization of bond premium		189,671	
Amortization of charges on refunding		28,554	(244,058)

Change in net position of governmental activities	\$	932,755
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The accompanying notes to the financial statements are an integral part of this statement.

County of Wise, Virginia  
Statement of Net Position  
Proprietary Funds  
June 30, 2020

	Enterprise Funds		
	Landfill Fund	Sewer Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 7,922	\$ 3,361	\$ 11,283
Investments	7,396,418	-	7,396,418
Accounts receivables, net of allowances for uncollectibles	43,316	-	43,316
Total current assets	<u>\$ 7,447,656</u>	<u>\$ 3,361</u>	<u>\$ 7,451,017</u>
Noncurrent assets:			
Other assets (net of amortization)	\$ -	\$ 426,250	\$ 426,250
Capital assets: (net of related depreciation)			
Land	314,816	-	314,816
Machinery and equipment	497,322	-	497,322
Infrastructure	7,931,594	163,061	8,094,655
Total capital assets	<u>\$ 8,743,732</u>	<u>\$ 163,061</u>	<u>\$ 8,906,793</u>
Total noncurrent assets	<u>\$ 8,743,732</u>	<u>\$ 589,311</u>	<u>\$ 9,333,043</u>
Total assets	<u>\$ 16,191,388</u>	<u>\$ 592,672</u>	<u>\$ 16,784,060</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	\$ 154,364	\$ -	\$ 154,364
OPEB related items	26,549	-	26,549
Total deferred outflows of resources	<u>\$ 180,913</u>	<u>\$ -</u>	<u>\$ 180,913</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 45,057	\$ 45,498	\$ 90,555
Accrued salaries	495	-	495
Due to other funds	-	212,898	212,898
Interest payable	33,406	-	33,406
Compensated absences - current portion	92,165	-	92,165
Bonds payable - current portion	575,282	-	575,282
Total current liabilities	<u>\$ 746,405</u>	<u>\$ 258,396</u>	<u>\$ 1,004,801</u>
Noncurrent liabilities:			
Landfill closure/postclosure liability	\$ 9,875,022	\$ -	\$ 9,875,022
Bonds payable - net of current portion	2,753,814	-	2,753,814
Compensated absences - net of current portion	30,721	-	30,721
Net OPEB liabilities	161,302	-	161,302
Net pension liability	627,197	-	627,197
Total noncurrent liabilities	<u>\$ 13,448,056</u>	<u>\$ -</u>	<u>\$ 13,448,056</u>
Total liabilities	<u>\$ 14,194,461</u>	<u>\$ 258,396</u>	<u>\$ 14,452,857</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related items	\$ 41,173	\$ -	\$ 41,173
OPEB related items	33,292	-	33,292
Total deferred inflows of resources	<u>\$ 74,465</u>	<u>\$ -</u>	<u>\$ 74,465</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 5,414,636	\$ 163,061	\$ 5,577,697
Unrestricted	(3,311,261)	171,215	(3,140,046)
Total net position	<u>\$ 2,103,375</u>	<u>\$ 334,276</u>	<u>\$ 2,437,651</u>

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

County of Wise, Virginia  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2020

	Enterprise Funds		
	Landfill	Sewer	
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services:			
Solid waste collections	\$ 441,234	\$ -	\$ 441,234
Miscellaneous	5,285	20,156	25,441
Total operating revenues	<u>\$ 446,519</u>	<u>\$ 20,156</u>	<u>\$ 466,675</u>
<b>OPERATING EXPENSES</b>			
Salaries and fringes	\$ 1,476,142	\$ -	\$ 1,476,142
Professional services	64,575	-	64,575
Repairs and maintenance	141,245	-	141,245
Operating materials and supplies	30,040	-	30,040
Vehicle supplies and fuel	362,829	-	362,829
Utilities	79,112	-	79,112
Office and insurance expenses	22,754	-	22,754
Improvements and closure costs	488,734	-	488,734
Miscellaneous	29,573	-	29,573
Sewer operation costs	-	611,389	611,389
Depreciation and amortization	732,058	29,211	761,269
Total operating expenses	<u>\$ 3,427,062</u>	<u>\$ 640,600</u>	<u>\$ 4,067,662</u>
Operating income (loss)	<u>\$ (2,980,543)</u>	<u>\$ (620,444)</u>	<u>\$ (3,600,987)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	\$ 116,941	\$ -	\$ 116,941
Loss on disposal of assets	(3,630)	-	(3,630)
Grants	10,800	-	10,800
Interest expense	(72,604)	-	(72,604)
Total nonoperating revenues (expenses)	<u>\$ 51,507</u>	<u>\$ -</u>	<u>\$ 51,507</u>
Income (loss) before transfers	<u>\$ (2,929,036)</u>	<u>\$ (620,444)</u>	<u>\$ (3,549,480)</u>
Transfers in	2,895,000	580,000	3,475,000
Change in net position	<u>\$ (34,036)</u>	<u>\$ (40,444)</u>	<u>\$ (74,480)</u>
Total net position - beginning	<u>\$ 2,137,411</u>	<u>\$ 374,720</u>	<u>\$ 2,512,131</u>
Total net position - ending	<u>\$ 2,103,375</u>	<u>\$ 334,276</u>	<u>\$ 2,437,651</u>

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

County of Wise, Virginia  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2020

	Enterprise Funds		
	Landfill Fund	Sewer Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 466,851	\$ 33,156	\$ 500,007
Payments to suppliers	(787,643)	(611,466)	(1,399,109)
Payments to employees	(1,456,603)	-	(1,456,603)
Net cash provided by (used for) operating activities	\$ (1,777,395)	\$ (578,310)	\$ (2,355,705)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	\$ 2,895,000	\$ 580,000	\$ 3,475,000
Grants	10,800	-	10,800
Net cash provided by (used for) noncapital financing activities	\$ 2,905,800	\$ 580,000	\$ 3,485,800
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal payments on bonds and capital leases	\$ (549,364)	\$ -	\$ (549,364)
Interest expense	(137,695)	-	(137,695)
Net cash provided by (used for) capital and related financing activities	\$ (687,059)	\$ -	\$ (687,059)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	\$ 116,941	\$ -	\$ 116,941
Net increase (decrease) in cash and cash equivalents	\$ 558,287	\$ 1,690	\$ 559,977
Cash and cash equivalents - beginning (including investments of \$6,404,933)	6,846,053	1,671	6,847,724
Cash and cash equivalents - ending (including investments of \$7,396,418)	\$ 7,404,340	\$ 3,361	\$ 7,407,701
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ (2,980,543)	\$ (620,444)	\$ (3,600,987)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	\$ 732,058	\$ 29,211	\$ 761,269
(Increase) decrease in accounts receivable	20,332	13,000	33,332
(Increase) decrease in deferred outflows related to net pension liability	(55,230)	-	(55,230)
(Increase) decrease in deferred outflows related to net OPEB liabilities	(14,541)	-	(14,541)
Increase (decrease) in accrued salaries	(266)	-	(266)
Increase (decrease) in landfill closure/postclosure liability	488,734	-	488,734
Increase (decrease) in accounts payable	(57,515)	(77)	(57,592)
Increase (decrease) in compensated absences	14,865	-	14,865
Increase (decrease) in net OPEB liabilities	3,102	-	3,102
Increase (decrease) in net pension liability	134,567	-	134,567
Increase (decrease) in deferred inflows related to net pension liability	(78,831)	-	(78,831)
Increase (decrease) in deferred inflows related to net OPEB liabilities	15,873	-	15,873
Total adjustments	\$ 1,203,148	\$ 42,134	\$ 1,245,282
Net cash provided by (used for) operating activities	\$ (1,777,395)	\$ (578,310)	\$ (2,355,705)

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

County of Wise, Virginia  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2020

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	<b><u>Agency Funds</u></b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 195,408
<b>LIABILITIES</b>	
Amounts held for social services clients	\$ 144,283
Amounts held for other governments	50,852
Amounts held for youth services	273
Total liabilities	\$ 195,408

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

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

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**Note 1-Summary of Significant Accounting Policies:**

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

**A. Financial Reporting Entity**

The County of Wise, Virginia was established by an act of the Virginia General Assembly in 1856. It is a political subdivision of the Commonwealth of Virginia operating under the board-administrator form of government. The Board of Supervisors consists of a chairman and seven other board members elected from four magisterial districts. The Board is responsible for appointing the County Administrator, County Attorney and County Finance Director. The County has taxing powers subject to statewide restrictions and tax limits.

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

Blended component units - None

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the County's discretely presented component units.

The County provides education through its own school system administered by the Wise County School Board (the School Board). The School Board has been classified as a discretely presented component unit in the financial reporting entity because it is legally separate, but financially dependent. The Board of Supervisors administers the School Board's appropriation of funds at the category level, approves transfers between categories and authorizes school debt issuances. The eight member school board is elected by Wise County voters with two members being elected per magisterial district. Financial statements of the School Board are included in a discretely presented component unit column and/or row of the government-wide financial statements, as well as in the supplementary information section. The School Board does not issue separate financial statements.

The County is financially accountable for the Wise County Industrial Development Authority (the IDA), including the appointment of the IDA's governing body, and the issuance of debt in conjunction with the IDA. Separate financial statements may be obtained from the Wise County Industrial Development Authority.

The County is financially accountable for the Wise County Public Service Authority (the Authority), including the appointment of the Authority's governing body, the contribution of a material amount of funds to the Authority, providing support agreements for the Authority's debt, and serving as the agent for grant receipts for the Authority's capital projects. Separate financial statements may be obtained from the Wise County Public Service Authority.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 1-Summary of Significant Accounting Policies: (continued)**

A. Financial Reporting Entity (continued)

Related Organizations - The Wise County Redevelopment and Housing Authority is a related organization because the County's officials are responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointment.

Jointly Governed Organizations:

1. The County, along with the Counties of Buchanan, Dickenson, Lee, Russell, Scott, Smyth, Tazewell, Washington, and the City of Norton, participates in supporting the Southwest Virginia Regional Jail Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2020, the County paid \$3,452,852 for services provided by the Authority.

2. The County, along with the Counties of Dickenson, Buchanan, Tazewell, Smyth, Washington, Russell, Scott, Lee, and the Cities of Bristol, and Norton, participates in supporting the Appalachian Juvenile Detention Commission. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2020, the County paid \$514,949 for services provided by the Commission.

3. The County, along with the Counties of Lee, Scott, and the City of Norton, participates in supporting the Planning District One Behavioral Health Services Board. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2020, the County provided an appropriation to the Board of \$255,205.

4. The County, along with the Counties of Dickenson, Lee, Scott, and the City of Norton, participates in supporting the Lonesome Pine Regional Library. The governing body of this organization is appointed by the respective governing bodies of the jurisdictions. For the fiscal year ended June 30, 2020, the County provided an appropriation to the Library of \$808,004.

5. The County, along with the Counties of Lee, Scott, and the City of Norton, participates in supporting the Lonesome Pine Office on Youth. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2020, the County provided an appropriation to the Office of \$23,014. In addition, the County provides payroll services for the Office at no charge.

6. The County, along with the Counties of Dickenson, Lee, Scott, and the City of Norton, participates in supporting the Lonesome Pine Airport (Cumberland Airport Commission). The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2020, the County provided an appropriation to the Airport of \$107,500.



COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 1-Summary of Significant Accounting Policies: (continued)**

A. Financial Reporting Entity (continued)

7. The County, along with the Counties of Lee, Scott, and the City of Norton, participates in supporting LENOWISCO, a regional planning district. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2020, the County provided an appropriation to LENOWISCO of \$66,684.

B. Government-wide and Fund Financial Statements

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 1-Summary of Significant Accounting Policies: (continued)****B. Government-wide and Fund Financial Statements (continued)**

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

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

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

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

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 1-Summary of Significant Accounting Policies: (continued)**

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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

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

The County reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. The *General Fund* as reported in the County financial statements includes the following merged County funds: Law Library Fund, Emergency Numbers Fund, Dog and Cat Sterilization Fund, Community Corrections Fund, Information Technology Fund, Software Engineering Initiative Fund, Transient Occupancy Tax Fund, and the Drug Court Fund.

The *Coal Road Improvement Fund* is the government's only major special revenue fund. Revenues in this fund are derived from coal road severance taxes and dedicated to road improvement projects.

The nonmajor governmental funds of the County are:

The *Forfeited Assets Fund* is a nonmajor special revenue fund of the County. Revenues in this fund are derived from federal, state, and local asset forfeitures and related grants and dedicated to law enforcement services. The *Forfeited Assets Fund* as reported includes the merged Drug Seizure and Forfeiture Fund and the Special Fund of the Commonwealth Attorney.

The *Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities. The *Capital Projects Fund* is reported as a nonmajor capital project fund.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 1-Summary of Significant Accounting Policies: (continued)**

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the County is that the cost of providing services to the general public be financed or recovered through user charges. The County reports the following enterprise funds:

The *Sewer Fund* accounts for the operations of the Riverview Sewer Project.

The *Landfill Fund* accounts for the activities of the landfill, including charges for services, expenses, assets, and related debts.

Additionally, the County reports the following fund types:

*Fiduciary funds* (Trust and Agency funds) account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Fiduciary funds include the Special Welfare Fund, Local Sales Tax Fund, and Lonesome Pine Youth Services Fund.

The School Board reports the following major governmental funds:

The *School Operating Fund* is the primary operating fund of the School Board and accounts for and reports all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from appropriations from the County of Wise, Virginia and state and federal grants. The *School Operating Fund* also includes the merged School Textbook Fund.

The *School Cafeteria Fund* accounts for and reports the proceeds from charges for services and state and federal grants and reports the expenditures of those funds on school nutrition services.

The *School Capital Projects Fund* accounts for all financial resources used for the acquisition or construction of major capital needs.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 1-Summary of Significant Accounting Policies: (continued)**

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

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

1. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Restricted amounts for the Primary Government represent unspent debt proceeds.

2. Inventory

Inventories of material and supplies are recorded at cost, using the first-in, first-out method of valuation.

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

4. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on May 31<sup>st</sup> and October 31<sup>st</sup>. The County bills and collects its own property taxes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 1-Summary of Significant Accounting Policies: (continued)**

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

5. Coal Severance Taxes

Coal severance tax is assessed monthly based on the gross receipts of the mining operation for the preceding month. Coal severance taxes attach as an enforceable lien on the mining operation in the month of assessment. Taxes are payable in the month of assessment. The County bills and collects its own coal severance taxes.

6. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$562,588 at June 30, 2020 and is comprised solely of property taxes.

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

9. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest capitalized in fiscal year 2020.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 1-Summary of Significant Accounting Policies: (continued)**

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

9. Capital Assets (continued)

Property, plant, and equipment and infrastructure of the primary government, as well as the Component Unit - School Board, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	35-50
Infrastructure	35-50
Machinery and equipment	2-15

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County only has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liabilities measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has multiple types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. The final item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. For more detailed information on these items, reference the related notes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 1-Summary of Significant Accounting Policies: (continued)**

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

11. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

12. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The County accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

13. Pensions

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 1-Summary of Significant Accounting Policies: (continued)**

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

14. Fund Balance

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance - amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Board of Supervisors prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board adopts another ordinance to remove or revise the limitation;
- Assigned fund balance - amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments general only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

The Board of Supervisors is the County's highest level of decision-making authority. This governing body has the authority to designate or rescind committed or assigned fund balance by a majority vote.

The County's Board of Supervisors has authorized the County Finance Director and County Treasurer to assign fund balance in accordance with the County's fund balance policy.

The County will maintain an unassigned fund balance in the general fund equal to 10% of expenditures/revenues. The County considers a balance of less than 10% to be cause for concern, barring unusual, or deliberate circumstances.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 1-Summary of Significant Accounting Policies: (continued)**

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

14. Fund Balance (Continued)

The County considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unassigned, assigned, or committed fund balances are available, unless prohibited by legal documents or contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the County considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

15. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 1-Summary of Significant Accounting Policies: (continued)**

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

16. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, HIC, Teacher HIC, and LODA OPEB Plans and the additions to/deductions from the VRS OPEB Plans' 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.

**Note 2-Stewardship, Compliance, and Accountability:**

A. Budgetary Information

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

1. Prior to March 30, the County Finance Director submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. All Funds of the County have legally adopted budgets with the exception of Agency Funds.
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. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds (except the School Fund) and the General Capital Projects Funds. The School Operating Fund and School Capital Projects Fund are integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 2-Stewardship, Compliance, and Accountability: (continued)**

A. Budgetary Information

8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

B. Excess of expenditures over appropriations

At June 30, 2020, expenditures exceeded appropriations for several departments within the General, Landfill and Asset Forfeiture Funds.

C. Deficit fund balance

At June 30, 2020, no funds had deficit fund balance.

**Note 3-Deposits and Investments:**

**Deposits**

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

Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

**Credit Risk of Debt Securities**

At year end, the County was not exposed to any custodial credit risk for deposits or investments. The County limits deposits to those banks fully collateralized under the Commonwealth's Security for Public Deposits Act. The County policy in regard to investments requires that all investments be held in the County's name.

At June 30, 2020, the County did not have any investments requiring concentration of credit risk disclosures that exceeded 5% of total investments.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 3-Deposits and Investments: (Continued)**

At year-end, the Primary Government's and the Component Unit - School Board's deposit and investment balances were as follows:

County's Rated Debt Investments' Values			
Rated Debt Investments	Unrated	Fair Quality Rating	
		Aa+f/S1	AAAm
Primary Government:			
Demand and time deposits	\$ 9,957,761	\$ -	\$ -
VML/VACO - Liquidity Pool	-	-	5,407,477
VML/VACO - 1-3 Year High Quality Bond Fund	-	2,743,087	-
Virginia LGIP	-	-	11,024
Total Primary Government	<u>\$ 9,957,761</u>	<u>\$ 2,743,087</u>	<u>\$ 5,418,501</u>
Component Unit - School Board:			
VML/VACO Pool	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,461,039</u>

**Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County has measured fair value of the above VML/VACO Pool investments at the net asset value (NAV).

**External Investment Pools**

The value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

**Redemption Restrictions**

VML/VACO Virginia Investment Pool allows the County to have the option to have access to withdraw funds twice a month, with a five-day period notice. Additionally, funds are available to meet unexpected needs such as fluctuations in revenue sources, one-time outlays (disasters, immediate capital needs, state budget cuts, etc.).

**Interest Rate Risk**

The County has not adopted an investment policy for interest rate risk and had no investments subject to interest rate risk at June 30, 2020.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 3-Deposits and Investments: (Continued)**

Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1 Year	1 - 5 Years
Primary Government:			
Demand and time deposits	\$ 9,957,761	\$ 9,957,761	\$ -
VML/VACO - Liquidity Pool	5,407,477	5,407,477	-
VML/VACO - 1-3 Year High Quality Bond Fund	2,743,087	-	2,743,087
Virginia LGIP	11,024	11,024	-
Total Primary Government	<u>\$ 18,119,349</u>	<u>\$ 15,376,262</u>	<u>\$ 2,743,087</u>
Component Unit - School Board:			
VML/VACO - Liquidity Pool	<u>\$ 1,461,039</u>	<u>\$ 1,461,039</u>	<u>\$ -</u>

**Note 4-Due from Other Governmental Units:**

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

	Primary Government	Component Unit School Board
<u>Local Governments:</u>		
City of Norton - shared expenses reimbursement	\$ 289,557	\$ -
SWVA Regional Jail - shared expenses reimbursement	727,562	-
<u>Commonwealth of Virginia:</u>		
Communications tax	136,555	-
State sales tax	-	466,743
Local sales tax	574,806	-
Non-categorical aid	152,814	-
Categorical aid - shared expenses	348,789	-
Categorical aid - Virginia Public Assistance funds	248,520	-
Categorical aid - Comprehensive Services Act funds	318,719	-
Categorical aid - other	62,973	-
<u>Federal Government:</u>		
Categorical aid - Virginia Public Assistance funds	380,320	302,287
Categorical aid - other	321,930	1,134,797
Total Amount due from Other Governmental Units	<u>\$ 3,562,545</u>	<u>\$ 1,903,827</u>

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 5-Interfund/Component-Unit Obligations:**

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:		
General Fund	\$ -	\$ 1,198,752
Component Unit - School Board		
School Operating Fund	\$ 1,198,752	\$ -

Interfund balances for the year ended June 30, 2020, consisted of the following:

Fund	Due To	Due From
Primary Government:		
<i>Major Governmental Funds:</i>		
General Fund	\$ 56,716	\$ 294,984
Coal Road Fund	-	56,716
<i>Nonmajor Governmental Funds:</i>		
Capital Projects Fund	82,086	-
<i>Enterprise Funds:</i>		
Sewer Fund	212,898	-
Total Primary Government	\$ 351,700	\$ 351,700

All balances are the results of time lag between dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. The County expects all balances to be repaid within one year.

Interfund transfers for the year ended June 30, 2020, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
<i>Major Governmental Funds:</i>		
General Fund	\$ -	\$ 3,477,375
<i>Nonmajor Governmental Funds:</i>		
Forfeited Assets Fund	2,375	-
<i>Enterprise Funds:</i>		
Sewer Fund	580,000	-
Landfill Fund	2,895,000	-
Total Primary Government	\$ 3,477,375	\$ 3,477,375

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 5-Interfund/Component-Unit Obligations: (Continued)**

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

**Note 6-Long-Term Obligations:**

**Primary Government - Governmental Activities Indebtedness**

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2020:

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance
Direct Borrowings and Placements:				
General Obligation Bonds	\$ 48,828,003	\$ -	\$ (1,880,000)	\$ 46,948,003
Bond Premium	563,915	1,635,752	(189,671)	2,009,996
Lease Revenue Bonds	14,800,000	13,655,000	(14,800,000)	13,655,000
Capital Leases	51,380	3,453,773	(51,380)	3,453,773
Net Pension Liability	8,653,538	6,344,744	(4,656,761)	10,341,521
Net OPEB Liabilities	4,223,210	1,415,764	(1,195,061)	4,443,913
Compensated Absences	566,582	478,945	(424,937)	620,590
Total	<u>\$ 77,686,628</u>	<u>\$ 26,983,978</u>	<u>\$ (23,197,810)</u>	<u>\$ 81,472,796</u>

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

Year Ending June 30,	Direct Borrowings and Placements			
	General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 2,020,000	\$ 2,117,705	\$ 100,000	\$ 516,775
2022	2,065,000	2,075,159	100,000	511,775
2023	2,570,947	2,009,407	100,000	506,775
2024	2,999,552	1,910,762	100,000	501,775
2025	3,118,607	1,798,284	100,000	496,775
2026-2030	16,128,897	7,596,839	500,000	2,415,875
2031-2035	12,640,000	3,180,623	4,240,000	1,957,875
2036-2040	5,405,000	212,254	8,415,000	717,888
Totals	<u>\$ 46,948,003</u>	<u>\$ 20,901,033</u>	<u>\$ 13,655,000</u>	<u>\$ 7,625,513</u>



**COUNTY OF WISE, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**Note 6-Long-Term Obligations: (continued)**

**Primary Government - Governmental Activities Indebtedness (continued)**

**Details of long-term indebtedness:**

	Interest Rates	Date Issued	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<b>Direct Borrowings and Placements:</b>							
<b>General Obligation Bonds:</b>							
VPSA General obligation bond	3.67%	11/9/2011	7/15/2036	\$1,045,000 - \$1,870,000 a+	\$ 29,265,000	\$ 21,445,000	\$ -
VPSA General obligation bond	5.10%	5/15/2008	7/15/2028	\$310,947 - \$368,877 a+	5,834,463	2,373,003	-
Refunding bond	2.39-3.54%	5/15/2014	7/15/2036	\$680,000 - \$855,000 a+	13,910,000	13,230,000	820,000
VPSA QSCB bond	0.00%	12/15/2011	12/1/2030	\$300,000 - \$1,200,000 a+	15,000,000	9,900,000	1,200,000
Total GO Bonds						<u>\$ 46,948,003</u>	<u>\$ 2,020,000</u>
<b>Lease Revenue Bonds:</b>							
Refunding Bond - Series 2019	1.5-5%	10/30/2019	11/1/2039	\$100,000 - \$2,080,000 a+	\$ 13,655,000	\$ 13,655,000	\$ 100,000
<b>Premiums</b>							
\$29,265,000 VPSA GO bond						\$ 173,967	\$ 52,475
\$13,910,000 refunding bond						268,744	56,771
\$13,655,000 refunding bond						1,567,285	135,061
Total Premiums						<u>\$ 2,009,996</u>	<u>\$ 244,307</u>
Total Direct Borrowings and Placements						<u>\$ 62,612,999</u>	<u>\$ 2,364,307</u>
<b>Capital Leases:</b>							
Banc Corp - equipment schedule 1	0.8608%	4/13/2020	4/15/2023	\$352,229 sa	\$ 2,082,757	\$ 2,082,757	\$ 343,169
Banc Corp - equipment schedule 2	0.9460%	4/13/2020	4/15/2025	\$140,701 sa	1,371,016	1,371,016	134,144
Total Capital Leases						<u>\$ 3,453,773</u>	<u>\$ 477,313</u>
<b>Other Obligations:</b>							
Net pension liability						\$ 10,341,521	\$ -
Net OPEB liabilities						4,443,913	-
Compensated absences						620,590	465,443
Total Other Obligations						<u>\$ 15,406,024</u>	<u>\$ 942,756</u>
Total Long-Term Obligations						<u>\$ 81,472,796</u>	<u>\$ 3,307,063</u>

(a+) - annual principal installments shown does not include semi-annual interest installments

(sa) - semi-annual principal and interest installments

In the event of default on the lease revenue note, the lender may declare the entire unpaid principal and interest on the issuance as due and payable.

On October 8, 2019, the County refunded a lease revenue bond with a principal outstanding balance of \$14,800,000. In addition to the principal due, the proceeds were used to cover issuance costs of \$408,471 and accrued interest of \$79,650. The refunding extended the debt service payments over an additional 20 years and increased the debt payments (including interest) by \$6,578,792.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 6-Long-Term Obligations: (continued)**

Primary Government - Business-type Activities Indebtedness

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2020:

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance
Direct Borrowings and Placements:				
General Obligation Bonds	\$ 3,615,000	\$ -	\$ (500,000)	\$ 3,115,000
Bond Premium	273,104	-	(59,008)	214,096
Capital Leases	49,364	-	(49,364)	-
Landfill Closure/ Postclosure Liability	9,386,288	488,734	-	9,875,022
Net Pension Liability	492,630	413,934	(279,367)	627,197
Net OPEB Liabilities	158,200	40,691	(37,589)	161,302
Compensated Absences	108,021	95,881	(81,016)	122,886
Total	<u>\$ 14,082,607</u>	<u>\$ 1,039,240</u>	<u>\$ (1,006,344)</u>	<u>\$ 14,115,503</u>

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

Year Ending June 30,	Direct Borrowings and Placements	
	General Obligation Bonds	
	Principal	Interest
2021	\$ 525,000	\$ 122,507
2022	545,000	101,953
2023	565,000	79,185
2024	270,000	59,338
2025	285,000	46,738
2026-2028	925,000	62,840
Totals	<u>\$ 3,115,000</u>	<u>\$ 472,561</u>

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 6-Long-Term Obligations: (continued)**

**Primary Government - Business-type Activities Indebtedness (continued)**

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Business-Type Activities	Amount Due Within One Year
Direct Borrowings and Placements:							
General Obligation Bonds:							
VRA General obligation bond	2.48%	6/5/2013	4/1/2028	\$190,000 - \$320,000 a+	\$3,450,000	\$ 2,225,000	\$ 240,000
VRA General obligation bond	3.28%	5/25/2010	10/1/2022	\$230,000 - \$310,000 a+	2,985,000	890,000	285,000
Total GO Bonds						<u>\$ 3,115,000</u>	<u>\$ 525,000</u>
Premiums:							
\$3,450,000 VRA GO bond						\$ 195,375	\$ 40,795
\$2,985,000 VRA GO bond						18,721	9,487
Total Premiums						<u>\$ 214,096</u>	<u>\$ 50,282</u>
Total Direct Borrowings and Placements						<u>\$ 3,329,096</u>	<u>\$ 575,282</u>
Other Obligations:							
Landfill closure/postclosure liability						\$ 9,875,022	\$ -
Net pension liability						627,197	-
Net OPEB liabilities						161,302	-
Compensated absences						122,886	92,165
Total Other Obligations						<u>\$ 10,786,407</u>	<u>\$ 92,165</u>
Total Long-Term Obligations						<u>\$ 14,115,503</u>	<u>\$ 667,447</u>

(a+) - annual principal installments shown does not include semi-annual interest installments

In the event of default on the general obligation bonds, the lender may declare the entire unpaid principal and interest on the issuance as due and payable.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 7-Long-Term Obligations-Component Unit School Board:**

**Discretely Presented Component Unit-School Board-Indebtedness**

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital leases	\$ 99,317	\$ -	\$ (99,317)	\$ -
Net pension liability	42,047,382	20,191,705	(13,979,772)	48,259,315
Net OPEB liabilities	14,993,098	3,993,609	(3,236,947)	15,749,760
Compensated absences	339,148	232,700	(254,361)	317,487
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 57,478,945</u>	<u>\$ 24,418,014</u>	<u>\$ (17,570,397)</u>	<u>\$ 64,326,562</u>

**Details of long-term indebtedness:**

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Other Obligations:		
Net pension liability	\$ 48,259,315	\$ -
Net OPEB liabilities	15,749,760	-
Compensated absences	317,487	238,115
	<u>                    </u>	<u>                    </u>
Total Long-Term Obligations	<u>\$ 64,326,562</u>	<u>\$ 238,115</u>

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 8—Capital Leases:**

**Primary Government**

The County has entered into two lease agreements for the purchase of 70 vehicles for public safety and other departments within the primary government. As of June 30, 2020, the County had not purchased all of the vehicles and there is a balance of \$2,561,343 in unspent capital lease proceeds reported.

Total assets acquired through capital leases are as follows:

Vehicles	\$	1,209,902
Accumulated depreciation		(55,489)
Net book value of assets	\$	<u>1,154,413</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2020, were as follows:

Year Ending June 30,	Governmental Activities	
	Banc Corp equipment schedule 1	Banc Corp equipment schedule 2
2021	\$ 706,457	\$ 281,401
2022	704,457	281,401
2023	705,414	281,401
2024	-	281,401
2025	-	281,398
Subtotal	\$ 2,116,328	\$ 1,407,002
Less: amount representing interest	(33,571)	(35,986)
Present Value of Lease Agreement	<u>\$ 2,082,757</u>	<u>\$ 1,371,016</u>

**Note 9—Pension Plan:**

***Plan Description***

All full-time, salaried permanent employees of the County and (nonprofessional) employees of public school divisions are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, several entities whose financial information is not included in the primary government report participate in the VRS plan through Wise County and the participating entities report their proportionate information on the basis of a cost-sharing plan.

Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 9—Pension Plan: (continued)*****Benefit Structures***

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

***Average Final Compensation and Service Retirement Multiplier***

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 9—Pension Plan: (continued)**

***Average Final Compensation and Service Retirement Multiplier (continued)***

employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

***Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits***

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

***Contributions***

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

The County's contractually required employer contribution rate for the year ended June 30, 2020 was 11.22% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,231,295 and \$1,175,304 for the years ended June 30, 2020 and June 30, 2019, respectively.

***Net Pension Liability***

At June 30, 2020, the County reported a liability of \$10,968,718 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. In order to allocate the net pension liability to all employers included in the plan, the County is required to determine its proportionate share of the net pension liability. Contributions to the plan as of June 30, 2019 and 2018 was used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2019 and 2018, the County's proportion was 98.6242% and 98.8547%, respectively.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 9—Pension Plan: (continued)**

***Actuarial Assumptions - General Employees***

The total pension liability for General Employees in the Wise County's Retirement Plan and the Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

**Mortality rates:**

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

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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:



COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 9—Pension Plan: (continued)**

***Actuarial Assumptions - General Employees (Continued)***

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rates	Decreased rate from 7.00% to 6.75%

***Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits***

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County of Wise Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

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

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 9—Pension Plan: (continued)**

**Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)**

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rates	Decreased rate from 7.00% to 6.75%

**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:

**COUNTY OF WISE, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**Note 9—Pension Plan: (continued)**

***Long-Term Expected Rate of Return (continued)***

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
 Total	 <u>100.00%</u>		 <u>5.13%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.63%</u>

\* The above allocation provides a one-year return of 7.63%. 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. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

***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; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, 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, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan was 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, 2019 on, participating employers and school divisions are assumed to continue 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.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 9—Pension Plan: (continued)**

***Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
County's proportionate share of the County Retirement Plan Net Pension Liability (Asset)	\$ 18,829,928	\$ 10,968,718	\$ 4,715,918

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

For the year ended June 30, 2020, the County recognized pension expense of \$1,647,267. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 266,618	\$ 269,856
Change in assumptions	1,209,326	18,738
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	24,347
Net difference between projected and actual earnings on pension plan investments	-	406,046
Employer contributions subsequent to the measurement date	1,231,295	-
Total	\$ 2,707,239	\$ 718,987

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 9—Pension Plan: (continued)**

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

\$1,231,295 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>
2021	\$ 438,941
2022	127,801
2023	155,820
2024	34,395

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**Component Unit School Board (nonprofessional)**

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

***Employees Covered by Benefit Terms***

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	185
Inactive members:	
Vested inactive members	10
Non-vested inactive members	17
Inactive members active elsewhere in VRS	19
Total inactive members	<u>46</u>
Active members	<u>58</u>
Total covered employees	<u><u>289</u></u>

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 9—Pension Plan: (continued)**

**Component Unit School Board (nonprofessional) (continued)**

***Contributions***

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2020 was 19.38% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$303,640 and \$293,796 for the years ended June 30, 2020 and June 30, 2019, respectively.

***Net Pension Liability***

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. The Component Unit School Board's (nonprofessional) net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

***Changes in Net Pension Liability***

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 12,834,551	\$ 9,009,169	\$ 3,825,382
Changes for the year:			
Service cost	\$ 128,781	\$ -	\$ 128,781
Interest	869,715	-	869,715
Change in assumptions	313,383	-	313,383
Differences between expected and actual experience	(187,100)	-	(187,100)
Contributions - employer	-	293,796	(293,796)
Contributions - employee	-	74,964	(74,964)
Net investment income	-	582,288	(582,288)
Benefit payments, including refunds of employee contributions	(820,095)	(820,095)	-
Administrative expenses	-	(6,110)	6,110
Other changes	-	(365)	365
Net changes	\$ 304,684	\$ 124,478	\$ 180,206
Balances at June 30, 2019	\$ 13,139,235	\$ 9,133,647	\$ 4,005,588

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 9—Pension Plan: (continued)**

**Component Unit School Board (nonprofessional) (continued)**

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

The following presents the net pension liability of the Component Unit School Board (nonprofessional) using the discount rate of 6.75%, as well as what the Component Unit School Board's (nonprofessional) net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 5,411,732	\$ 4,005,588	\$ 2,869,167

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

For the year ended June 30, 2020, the Component Unit School Board (nonprofessional) recognized pension expense of \$530,381. At June 30, 2020, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 52,496
Change in assumptions	87,928	-
Net difference between projected and actual earnings on pension plan investments	-	75,363
Employer contributions subsequent to the measurement date	303,640	-
Total	\$ 391,568	\$ 127,859

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 9—Pension Plan: (continued)**

**Component Unit School Board (nonprofessional) (continued)**

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

\$303,640 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<b>Year ended June 30</b>	<b>Component Unit School Board (nonprofessional)</b>
2021	\$ 40,162
2022	(85,200)
2023	(1,360)
2024	6,467

**Component Unit School Board (professional)**

***Plan Description***

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information regarding the plan description is included in the first section of this note.

***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 provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2020 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were \$4,423,004 and \$4,309,619 for the years ended June 30, 2020 and June 30, 2019, respectively.



COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 9—Pension Plan: (continued)**

**Component Unit School Board (professional) (continued)**

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

At June 30, 2020, the school division reported a liability of \$44,253,727 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion was 0.33626% as compared to 0.32502% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized pension expense of \$3,146,102. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,833,753
Change in assumptions	4,382,156	-
Net difference between projected and actual earnings on pension plan investments	-	971,707
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,181,093	4,143,818
Employer contributions subsequent to the measurement date	4,423,004	-
Total	\$ <u>9,986,253</u>	\$ <u>7,949,278</u>

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 9—Pension Plan: (continued)**

**Component Unit School Board (professional) (continued)**

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

\$4,423,004 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (professional)</u>
2021	\$ (1,428,786)
2022	(1,837,296)
2023	(247,557)
2024	657,587
Thereafter	470,023

***Actuarial Assumptions***

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75 investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 9—Pension Plan: (continued)**

**Component Unit School Board (professional) (continued)**

***Actuarial Assumptions (continued)***

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 75 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 9—Pension Plan: (continued)**

**Component Unit School Board (professional) (continued)**

***Net Pension Liability***

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2019, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 49,683,336
Plan Fiduciary Net Position	36,522,769
Employers' Net Pension Liability (Asset)	<u>\$ 13,160,567</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.51%

The total pension 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 pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

The long-term expected rate of return and discount rate information previously described also apply to this plan.

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

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

	Rate		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 66,621,084	\$ 44,253,727	\$ 25,760,065

**COUNTY OF WISE, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**Note 9—Pension Plan: (continued)**

***Pension Plan Fiduciary Net Position***

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Primary Government and Component Unit School Board**

***Aggregate Pension Information***

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 2,707,239	\$ 718,987	\$ 10,968,718	\$ 1,647,267	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	391,568	127,859	4,005,588	530,381
School Board Professional	-	-	-	-	9,986,253	7,949,278	44,253,727	3,146,102
Totals	<u>\$ 2,707,239</u>	<u>\$ 718,987</u>	<u>\$ 10,968,718</u>	<u>\$ 1,647,267</u>	<u>\$ 10,377,821</u>	<u>\$ 8,077,137</u>	<u>\$ 48,259,315</u>	<u>\$ 3,676,483</u>

**Note 10-Capital Assets:**

Capital asset activity for the year ended June 30, 2020 was as follows:

**Primary Government:**

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	<u>\$ 2,195,643</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,195,643</u>
Capital assets, being depreciated:				
Buildings and improvements	<u>\$ 91,803,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,803,662</u>
Machinery and equipment	<u>6,108,825</u>	<u>1,455,321</u>	<u>-</u>	<u>7,564,146</u>
Total capital assets being depreciated	<u>\$ 97,912,487</u>	<u>\$ 1,455,321</u>	<u>\$ -</u>	<u>\$ 99,367,808</u>
Accumulated depreciation:				
Buildings and improvements	<u>\$ (26,993,481)</u>	<u>\$ (1,787,911)</u>	<u>\$ -</u>	<u>\$ (28,781,392)</u>
Machinery and equipment	<u>(5,342,491)</u>	<u>(278,281)</u>	<u>-</u>	<u>(5,620,772)</u>
Total accumulated depreciation	<u>\$ (32,335,972)</u>	<u>\$ (2,066,192)</u>	<u>\$ -</u>	<u>\$ (34,402,164)</u>
Total capital assets being depreciated, net	<u>\$ 65,576,515</u>	<u>\$ (610,871)</u>	<u>\$ -</u>	<u>\$ 64,965,644</u>
Governmental activities capital assets, net	<u><u>\$ 67,772,158</u></u>	<u><u>\$ (610,871)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 67,161,287</u></u>

**COUNTY OF WISE, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**Note 10-Capital Assets: (continued)**

**Primary Government: (continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 314,816	\$ -	\$ -	\$ 314,816
Construction in progress	3,630	-	(3,630)	-
Total capital assets not being depreciated	<u>\$ 318,446</u>	<u>\$ -</u>	<u>\$ (3,630)</u>	<u>\$ 314,816</u>
Capital assets, being depreciated:				
Infrastructure	\$ 15,749,016	\$ -	\$ -	\$ 15,749,016
Machinery and equipment	5,690,968	-	-	5,690,968
Total capital assets being depreciated	<u>\$ 21,439,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,439,984</u>
Accumulated depreciation:				
Infrastructure	\$ (7,217,708)	\$ (436,653)	\$ -	\$ (7,654,361)
Machinery and equipment	(4,882,780)	(310,866)	-	(5,193,646)
Total accumulated depreciation	<u>\$ (12,100,488)</u>	<u>\$ (747,519)</u>	<u>\$ -</u>	<u>\$ (12,848,007)</u>
Total capital assets being depreciated, net	<u>\$ 9,339,496</u>	<u>\$ (747,519)</u>	<u>\$ -</u>	<u>\$ 8,591,977</u>
Business-type Activities capital assets, net	<u>\$ 9,657,942</u>	<u>\$ (747,519)</u>	<u>\$ (3,630)</u>	<u>\$ 8,906,793</u>

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

**Governmental activities:**

General governmental administration	\$ 90,837
Judicial administration	569
Public safety	266,063
Public works	290,465
Health and welfare	71,008
Education	1,302,882
Parks, recreation, and cultural	44,368
Total depreciation expense - governmental activities	<u>\$2,066,192</u>

**Business-type activities:**

Public works	<u>\$ 747,519</u>
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COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 10-Capital Assets: (continued)**

*Business-type Other Assets:*

The Sewer Enterprise Fund contains a balance of \$426,250 in Other Assets. This amount is for a connectivity fee with the City of Norton for the flow of wastewater. This agreement states that a fee of \$550,000 is for a forty year period and will be amortized over that period. Amortization in fiscal year 2020 was \$13,750 and accumulated amortization as of June 30, 2020 amounted to \$123,750.

Capital asset activity for the School Board for the year ended June 30, 2020 was as follows:

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,973,463	\$ -	\$ -	\$ 1,973,463
Construction in progress	155,856	126,769	(282,625)	-
Total capital assets not being depreciated	<u>\$ 2,129,319</u>	<u>\$ 126,769</u>	<u>\$ (282,625)</u>	<u>\$ 1,973,463</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 63,480,414	\$ 333,158	\$ -	\$ 63,813,572
Machinery and equipment	12,054,547	843,996	-	12,898,543
Total capital assets being depreciated	<u>\$ 75,534,961</u>	<u>\$ 1,177,154</u>	<u>\$ -</u>	<u>\$ 76,712,115</u>
Accumulated depreciation:				
Buildings and improvements	\$ (37,388,207)	\$ (1,595,903)	\$ -	\$ (38,984,110)
Machinery and equipment	(9,468,155)	(576,928)	-	(10,045,083)
Total accumulated depreciation	<u>\$ (46,856,362)</u>	<u>\$ (2,172,831)</u>	<u>\$ -</u>	<u>\$ (49,029,193)</u>
Total capital assets being depreciated, net	<u>\$ 28,678,599</u>	<u>\$ (995,677)</u>	<u>\$ -</u>	<u>\$ 27,682,922</u>
School board capital assets, net	<u>\$ 30,807,918</u>	<u>\$ (868,908)</u>	<u>\$ (282,625)</u>	<u>\$ 29,656,385</u>

**Note 11-Risk Management:**

The County and its Component Unit - School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County participates with other localities in a public entity risk pool for their coverage of general liability, property, crime and auto insurance with the Virginia Association of Counties Risk Pool. Each member of each of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County pays the Risk Pool contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County and its Component Unit - School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**COUNTY OF WISE, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**Note 12-Surety Bonds:**

**Primary Government:**

<u>Constitutional Officer Risk Management Plan - Surety:</u>	
Jack Kennedy, Clerk of the Circuit Court	\$ 500,000
Delores W. Smith, Treasurer	500,000
Douglas Mullins, Jr., Commissioner of the Revenue	3,000
Ronnie D. Oakes, Sheriff	30,000
 <u>Travelers Casualty &amp; Surety Co:</u>	
Public Officials Bond - Board of Supervisors	\$ 3,000
 <u>United States Fidelity and Guaranty Company Surety:</u>	
Greg Mullins, Superintendent of Schools	\$ 10,000
 <u>Fidelity &amp; Deposit Company of Maryland-Surety:</u>	
Judy Durham, Clerk of the School Board	\$ 10,000
Elizabeth Shupe, Deputy Clerk of the School Board	10,000
All School Board Employees: Blanket Bond	5,000
All Social Services Employees: Blanket Bond	100,000

**Note 13-Landfill Closure and Postclosure Care Cost:**

According to laws and regulations the County must perform closure and postclosure care to the Landfill as specified in Part V, Section 5.1.E of the Virginia Solid Waste Management Regulations (VR 672-20-10). The regulations require the County to close its facility in a manner that minimizes the need for further maintenance and controls, minimizes or eliminates the post-closure escape of uncontrolled leachate, surface runoff, decomposition gas, migration or waste decomposition products to the groundwater, surface water or to the atmosphere. The regulations also require that the County conduct postclosure care for ten years after the date of completing closure or for as long as leachate is generated, whichever is later.

The total estimated closure and postclosure care costs for the County's landfill operation is \$18,104,208. The accrued liability for these costs reported as of June 30, 2020 is based on the capacity of the landfill used to date. The landfill capacity used at year end is approximately 55% and the remaining life of the landfill is approximately 25 years. The remaining cost to be accrued in the future is as follows:

Total Estimated Liability	\$ 18,104,208
Accrued Liability of June 30, 2020	<u>9,875,022</u>
Total Closure and Postclosure Care Costs Remaining to be Recognized	<u>\$ 8,229,186</u>



COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 13-Landfill Closure and Postclosure Care Cost: (Continued)**

It should be noted that the total estimated liability for the closure and post-closure care costs is only an estimate based on current projections. The estimates are reviewed by our engineer, Thompson & Litton, on an annual basis. Inflation factors are provided by the Department of Environmental Quality to apply to the estimates. Uncontrollable factors such as inflation, changes in technology, and changes in applicable laws and regulations may affect these projections.

The County demonstrated financial assurance requirements for closure and post-closure costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with 9 VAC 20-70-10 of the Virginia Administrative Code. The regulation requires local government owners and operators to maintain a financial mechanism, or combination of mechanisms, demonstrating assurance for the closure, post-closure care, and, if applicable, corrective actions costs associated with their owned and operated solid waste facilities. The County has fulfilled the requirements as set forth in the financial ratio test mechanism.

The County has a reserve fund designated for the purpose of landfill closure. The closure and post closure costs are being funded by an annual transfer from the general fund to this fund. As of June 30, 2020, the County has a balance of \$7,396,418 in this fund which is the aggregate funding to date including interest earned.

**Note 14-Deferred/Unavailable Revenue:**

Deferred/Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred. Deferred/Unavailable revenue is comprised of the following:

	Government-wide	
	Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Taxes receivable-2nd half installment	\$ 16,353,444	\$ 16,353,444
Prepaid taxes	1,729,204	1,729,204
Delinquent taxes receivable due prior to June 30 not collected within 60 days	-	4,061,038
Total	\$ 18,082,648	\$ 22,143,686

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 15-Commitments and Contingencies:**

*Contingent Liabilities:*

Federal programs in which the County and its component units participate were audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirement for Federal Awards*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

**Note 16-Other Postemployment Benefits-Health Insurance:**

The County and School Board each administer a single-employer defined benefit healthcare plan. The plans provide postemployment health care benefits to all eligible permanent employees who meet the requirements under the County's and School Board's pension plans. The plans do not issue a publicly available financial report.

***Benefits Provided***

The Wise and Wise School Board Post-Retirement Medical Plans (the Plans) are single-employer defined benefit healthcare plans administered by the County and School Board. The Plans provide health insurance benefits to eligible retirees and their spouses. To be eligible, employees must meet the age and service criteria for immediate retirement benefits under VRS, which requires that the employee be age 50 with 10 years of service or permanently, totally disabled and injured in the line of duty. Additionally, the employee must be of full-time status in VRS and must be covered by the active plan at the time of retirement or disability. The benefit provisions, including employer and employee contributions, are governed by the County and School Board and can be amended through County and School Board action, respectively.

***Plan Membership***

At June 30, 2020 (measurement date), the following employees were covered by the benefit terms:

	County	School Board
Total active employees with coverage	235	505
Total active employees without coverage	40	216
Total retirees with coverage	14	52
Total retirees without coverage	-	1
	289	774

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 16-Other Postemployment Benefits-Health Insurance: (continued)**

***Contributions***

The County and School Board do not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County Board. The amount paid by the County and School Board for OPEB as the benefits came due during the year ended June 30, 2020 was \$83,086 and \$437,012, respectively.

***Total OPEB Liability***

The County and School Board's total OPEB liabilities were measured as of July 1, 2019 and are based on an actuarial valuation date of July 1, 2018 projected to July 1, 2019 on a "no loss/no gain" basis.

***Actuarial Assumptions***

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal Percentage of Salary
Healthcare Cost Trend Rates	Medical rates start at 8.00% and decrease by varying amounts to an ultimate rate of 4.50% in 2033
Salary Increases	3.50%
Discount Rate	2.66%
Inflation	2.50%

Mortality rates use SOA Pub-2010 General, Public Safety, Contingent Survivor, Teacher, as applicable, Headcount Weighted Mortality Table fully generational using Scale MP-2019.

The actuarial assumptions used in the June 30, 2020 valuation were based on June 30, 2020 with no adjustments to get to the June 30, 2020 measurement date. Liabilities as of July 1, 2019 are based on an actuarial valuation date of July 1, 2018 project to July 1, 2019.

***Discount Rate***

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher tax-exempt, high quality 20-year municipal bonds. The final equivalent single discount rate used for this year's valuation is 2.66% as of the end of the fiscal year with the expectation that the County and School Board will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 16-Other Postemployment Benefits-Health Insurance: (continued)**

***Changes in the Total OPEB Liability***

	County	School Board
Balances at June 30, 2019	\$ 1,972,512	\$ 8,671,098
Changes for the year:		
Service cost	\$ 112,683	\$ 471,052
Interest cost	71,745	313,286
Difference between expected and actual experience	(359,332)	(1,325,960)
Changes in assumptions	218,163	1,218,609
Benefit payments	(83,086)	(437,012)
Net changes	\$ (39,827)	\$ 239,975
Balances at June 30, 2020	\$ 1,932,685	\$ 8,911,073

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following amounts present the total OPEB liability of the County and School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.66%) or one percentage point higher (3.66%) than the current discount rate:

Primary Government			Component Unit School Board		
Rate			Rate		
1% Decrease	Current Discount	1% Increase	1% Decrease	Current Discount	1% Increase
(1.66%)	(2.66%)	(3.66%)	(1.66%)	(2.66%)	(3.66%)
\$ 2,094,551	\$ 1,932,685	\$ 1,784,504	\$ 9,599,478	\$ 8,911,073	\$ 8,254,787

***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the County and School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

Primary Government			Component Unit School Board		
Rate			Rate		
1% Decrease	Current Trend	1% Increase	1% Decrease	Current Trend	1% Increase
\$ 1,834,110	\$ 1,932,685	\$ 2,050,437	\$ 7,855,287	\$ 8,911,073	\$ 10,150,381

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 16-Other Postemployment Benefits-Health Insurance: (continued)**

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources***

For the year ended June 30, 2020, the County and School Board recognized OPEB expense in the amount of \$139,976 and \$706,048, respectively. At June 30, 2020, the County and School Board reported the following deferred outflows of resources and deferred inflows of resources related to OPEB:

	Primary Government		Component Unit School Board	
	Deferred	Deferred	Deferred	Deferred
	Outflows of	Inflows of	Outflows of	Inflows of
	Resources	Resources	Resources	Resources
Differences between expected and actual experience	\$ 42,917	\$ 474,673	\$ -	\$ 1,429,831
Changes in assumptions	235,424	5,262	1,177,896	14,097
Total	\$ 278,341	\$ 479,935	\$ 1,177,896	\$ 1,443,928

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board</u>
2021	\$ (44,452)	\$ (78,290)
2022	(44,452)	(78,290)
2023	(44,452)	(78,287)
2024	(44,452)	(13,269)
2025	(3,072)	(17,896)
Thereafter	(20,714)	-

Additional disclosures on changes in total OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

**Note 17-Group Life Insurance (GLI) Plan (OPEB Plan):**

***Plan Description***

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 17-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)*****Plan Description (continued)***

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. 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 plan, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

***Eligible Employees***

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI 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.

***Benefit Amounts***

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts 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. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. The amount is increased annually based on the VRS Plan 2 cost-of-living calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

***Contributions***

The contribution requirements for the GLI Plan are governed by §51.1-506 and §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 GLI Plan was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% ( $1.31\% \times 60\%$ ) and the employer component was 0.52% ( $1.31\% \times 40\%$ ). 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, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 17-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)**

***Contributions (continued)***

Contributions to the Group Life Insurance Plan from the County were \$59,342 and \$56,302 for the years ended June 30, 2020 and June 30, 2019, respectively.

Contributions to the Group Life Insurance Plan from the Component Unit-School Board (non-professional) were \$8,389 and \$8,127 for the years ended June 30, 2020 and June 30, 2019, respectively.

Contributions to the Group Life Insurance Plan from the Component Unit-School Board (professional) were \$149,220 and \$144,554 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the County reported a liability of \$899,050 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2020, the Component Unit-School Board (nonprofessional) reported a liability of \$129,693 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2020, the Component Unit-School Board (professional) reported a liability of \$2,307,463 for its proportionate share of the Net GLI OPEB Liability.

The Net GLI OPEB Liability was measured as of June 30, 2019 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, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2019, the County's proportion was 0.05536% as compared to 0.05741% at June 30, 2018.

At June 30, 2019, the Component Unit-School Board (nonprofessional) proportion was 0.00797% as compared to 0.00778% at June 30, 2018.

At June 30, 2019, the Component Unit-School Board (professional) proportion was 0.14180% as compared to 0.13635% at June 30, 2018.

For the year ended June 30, 2020, the County recognized GLI OPEB expense of \$12,313. 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.

For the year ended June 30, 2020, the Component-Unit School Board (nonprofessional) recognized GLI OPEB expense of \$(139). 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.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 17-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

***GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (Continued)***

For the year ended June 30, 2020, the Component-Unit School Board (professional) recognized GLI OPEB expense of \$13,709. 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, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<b>Primary Government</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 59,792	\$ 11,660
Net difference between projected and actual earnings on GLI OPEB program investments	-	18,467
Change in assumptions	56,761	27,111
Changes in proportion	11,241	47,749
Employer contributions subsequent to the measurement date	59,342	-
Total	\$ <u>187,136</u>	\$ <u>104,987</u>

	<b>Component Unit School Board (Nonprofessional)</b>		<b>Component Unit School Board (Professional)</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 8,625	\$ 1,681	\$ 153,460	\$ 29,930
Net difference between projected and actual earnings on GLI OPEB program investments	-	2,664	-	47,397
Change in assumptions	8,188	3,911	145,680	69,580
Changes in proportion	2,535	14,382	72,709	213,643
Employer contributions subsequent to the measurement date	8,389	-	149,220	-
Total	\$ <u>27,737</u>	\$ <u>22,638</u>	\$ <u>521,069</u>	\$ <u>360,550</u>

\$59,342, \$8,389, and \$149,220 reported as deferred outflows of resources related to the GLI OPEB resulting from the County's, Component-Unit School Board (Nonprofessional), and Component-Unit School Board (Professional), respectively, 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, 2021.



COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 17-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

***GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (Continued)***

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:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit-School Board (Non- professional)</u>	<u>Component Unit-School Board (Professional)</u>
2021	\$ (5,281)	\$ (2,677)	\$ (31,450)
2022	(5,281)	(2,677)	(31,448)
2023	2,540	(1,549)	(11,373)
2024	12,969	346	18,813
2025	14,390	2,370	49,039
Thereafter	3,470	897	17,718

***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Comprehensive Annual Financial Report.

Inflation 2.50%

Salary increases, including inflation:

General state employees 3.50%-5.35%

Teachers 3.50%-5.95%

Locality - General employees 3.50%-5.35%

Locality - Hazardous Duty employees 3.50%-4.75%

Investment rate of return 6.75%, net of investment expenses, including inflation\*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 17-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

**Actuarial Assumptions (Continued)**

**Mortality Rates - Teachers**

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 17-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

***Actuarial Assumptions (Continued)***

**Mortality Rates - Non-Largest Ten Locality Employers - General Employees (Continued)**

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

**Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 17-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

**Actuarial Assumptions (Continued)**

**Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees (Continued)**

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

**NET GLI OPEB Liability**

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the Group Life Insurance Plan is as follows (amounts expressed in thousands):

	<b>GLI OPEB Plan</b>
Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	1,762,972
GLI Net OPEB Liability (Asset)	\$ <u>1,627,266</u>

Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%
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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.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 17-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

***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%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

\*The above allocation provides a one-year return of 7.63%. 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. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

***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 member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2019, 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, 2019 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.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 17-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

***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:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Proportionate share of the GLI Plan Net OPEB Liability:			
County	\$ 1,181,107	\$ 899,050	\$ 670,315
Component Unit-School Board (Nonprofessional)	\$ 170,381	\$ 129,693	\$ 96,696
Component Unit-School Board (Professional)	\$ 3,031,368	\$ 2,307,463	\$ 1,720,396

***GLI Program Fiduciary Net Position***

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 18-Health Insurance Credit (HIC) Plan (OPEB Plan):**

**Component Unit School Board - Nonprofessional**

***Plan Description***

The Political Subdivision Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 18-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**

**Component Unit School Board - Nonprofessional (Continued)**

***Plan Description (Continued)***

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

***Eligible Employees***

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

***Benefit Amounts***

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

***HIC Plan Notes***

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

***Employees Covered by Benefit Terms***

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<b><u>Number</u></b>
Inactive members or their beneficiaries currently receiving benefits	42
Active members	58
Total covered employees	<b><u>100</u></b>

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 18-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**

***Contributions***

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The School Board (Nonprofessional)'s contractually required employer contribution rate for the year ended June 30, 2020 was 0.44% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate 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 from the School Board (Nonprofessional) to the HIC Plan were \$7,080 and \$6,789 for the years ended June 30, 2020 and June 30, 2019, respectively.

***Net HIC OPEB Liability***

The School Board (nonprofessional)'s net HIC OPEB liability was measured as of June 30, 2019. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

***Actuarial Assumptions***

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.



COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 18-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**

**Actuarial Assumptions (Continued)**

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 18-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**

***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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.63%</u>

\*The above allocation provides a one-year return of 7.63%. 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. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

***Discount Rate***

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2019, the rate contributed by the entity for the HIC 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

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 18-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**

***Discount Rate(Continued)***

the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC 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 HIC OPEB liability.

***Changes in Net HIC OPEB Liability***

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 252,000	\$ 188,000	\$ 64,000
Changes for the year:			
Service cost	\$ 2,478	\$ -	\$ 2,478
Interest	16,439	-	16,439
Differences between expected and actual experience	(5,857)	-	(5,857)
Assumption changes	4,881	-	4,881
Contributions - employer	-	6,789	(6,789)
Net investment income	-	11,293	(11,293)
Benefit payments	(22,858)	(22,858)	-
Administrative expenses	-	(751)	751
Other changes	-	(13)	13
Net changes	\$ (4,917)	\$ (5,540)	\$ 623
Balances at June 30, 2019	\$ 247,083	\$ 182,460	\$ 64,623

***Sensitivity of the County's HIC Net OPEB Liability to Changes in the Discount Rate***

The following presents the School Board (Nonprofessional)'s HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the School Board (Nonprofessional)'s net HIC 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:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School Board (Nonprofessional)'s Net HIC OPEB Liability	\$ 85,942	\$ 64,623	\$ 46,054

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 18-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**

***HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Program OPEB***

For the year ended June 30, 2020, the School Board (Nonprofessional) recognized Health Insurance Credit Plan OPEB expense of \$8,037. At June 30, 2020, the School Board (Nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to the School Board (Nonprofessional)'s HIC Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,607	\$ 4,393
Net difference between projected and actual earnings on HIC OPEB plan investments	1,008	3,475
Change in assumptions	3,661	1,122
Employer contributions subsequent to the measurement date	7,080	-
Total	\$ 19,356	\$ 8,990

\$7,080 reported as deferred outflows of resources related to the HIC OPEB resulting from the School Board (Nonprofessional)'s contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	
2021	\$ 1,044
2022	1,498
2023	492
2024	252

***HIC Program Plan Data***

Information about the VRS Political Subdivision Health Insurance Credit Plan is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 19-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):*****Plan Description***

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Plan. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher HIC Plan OPEB, including eligibility, coverage, and benefits is described below:

***Eligible Employees***

The Teacher Employee Retiree HIC Plan was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

***Benefit Amounts***

The Teacher Employee HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

***HIC Plan Notes***

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 19-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**

**Contributions**

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2020 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate 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 from the school division to the VRS Teacher Employee HIC Plan were \$344,216 and \$333,474 for the years ended June 30, 2020 and June 30, 2019, respectively.

**Teacher Employee HIC Plan OPEB Liabilities, Teacher Employee HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Program OPEB**

At June 30, 2020, the school division reported a liability of \$4,336,908 for its proportionate share of the VRS Teacher Employee HIC Net OPEB Liability. The Net VRS Teacher Employee HIC OPEB Liability was measured as of June 30, 2019 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Plan was 0.33129% as compared to 0.32052% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized VRS Teacher Employee HIC OPEB expense of \$293,874. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 24,565
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	274	-
Change in assumptions	100,940	30,136
Change in proportion	120,245	418,553
Employer contributions subsequent to the measurement date	344,216	-
Total	\$ 565,675	\$ 473,254

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 19-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**

***Teacher Employee HIC Plan OPEB Liabilities, Teacher Employee HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Program OPEB (Continued)***

\$344,216 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2021	\$ (58,950)
2022	(58,954)
2023	(57,054)
2024	(57,690)
2025	(41,891)
Thereafter	22,744

***Actuarial Assumptions***

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50%-5.95%
Investment rate of return	6.75%, net of investment expenses, including inflation*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 19-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**

**Actuarial Assumptions (Continued)**

**Mortality Rates - Teachers**

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%



COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 19-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**

***Net Teacher Employee HIC OPEB Liability***

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

	<b>Teacher Employee HIC OPEB Plan</b>
Total Teacher Employee HIC OPEB Liability	\$ 1,438,114
Plan Fiduciary Net Position	129,016
Teacher Employee net HIC OPEB Liability (Asset)	<u>\$ 1,309,098</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	8.97%

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC 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 VRS 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 VRS 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:

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 19-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**

***Long-Term Expected Rate of Return (Continued)***

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

\*The above allocation provides a one-year return of 7.63%. 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. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

***Discount Rate***

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee HIC Plan 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, 2019 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB 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 Teacher Employee HIC OPEB liability.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 19-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**

***Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate***

The following presents the school division's proportionate share of the VRS Teacher Employee HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net HIC 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:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 4,853,737	\$ 4,336,908	\$ 3,897,862

***Teacher Employee HIC OPEB Fiduciary Net Position***

Detailed information about the VRS Teacher Employee HIC Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 20—Line of Duty Act (LODA) Program:**

***Plan Description***

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 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 LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. This is a cost-sharing multiple-employer plan administered by the System. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for the LODA Program OPEB, including eligibility, coverage and benefits is described below:

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 20—Line of Duty Act (LODA) Program: (Continued)**

***Eligible Employees***

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA).

***Benefit Amounts***

The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after; \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date; or an additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

The LODA program also provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by LODA.

***Contributions***

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2020 was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$68,989 and \$66,342 for the years ended June 30, 2020 and June 30, 2019, respectively.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 20—Line of Duty Act (LODA) Program: (Continued)**

***LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB***

At June 30, 2020, the entity reported a liability of \$1,773,480 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2019 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2019, the entity's proportion was 0.49430% as compared to 0.49005% at June 30, 2018.

For the year ended June 30, 2020, the entity recognized LODA OPEB expense of \$163,641. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 257,774	\$ -
Net difference between projected and actual earnings on LODA OPEB program investments	-	3,511
Change in assumptions	83,213	153,740
Change in proportion	112,916	4,329
Employer contributions subsequent to the measurement date	68,989	-
Total	\$ 522,892	\$ 161,580

\$68,989 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year Ended June 30	
2021	\$ 39,792
2022	39,799
2023	40,342
2024	40,920
2025	41,091
Thereafter	90,379

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 20—Line of Duty Act (LODA) Program: (Continued)**

**Actuarial Assumptions**

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.50%
Salary increases, including inflation:	
Locality employees	N/A
Medical cost trend rates assumption:	
Under age 65	7.25%-4.75%
Ages 65 and older	5.50%-4.75%
Year of ultimate trend rate	
Post-65	Fiscal year ended 2023
Pre-65	Fiscal year ended 2028
Investment rate of return	3.50% including inflation*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.50%. However, since the difference was minimal, a more conservative 3.50% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return.

**Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Post-Disablement:**

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 20—Line of Duty Act (LODA) Program: (Continued)**

**Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees (Continued)**

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%

**Net LODA OPEB Liability**

The net OPEB liability (NOL) for the LODA Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the LODA Program are as follows (amounts expressed in thousands):

	<b><u>LODA Program</u></b>
Total LODA OPEB Liability	\$ 361,626
Plan Fiduciary Net Position	<u>2,839</u>
LODA Net OPEB Liability (Asset)	<u><u>\$ 358,787</u></u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.79%

The total LODA 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 20—Line of Duty Act (LODA) Program: (Continued)*****Long-Term Expected Rate of Return***

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.50% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2019.

***Discount Rate***

The discount rate used to measure the total LODA OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.50%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate:

	Discount Rate		
	1% Decrease (2.50%)	Current (3.50%)	1% Increase (4.50%)
County's proportionate share of the LODA Net OPEB Liability	\$ 2,057,364	\$ 1,773,480	\$ 1,548,947

***Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate***

Because the LODA Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.75% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 3.75%) or one percentage point higher (8.75% decreasing to 5.75%) than the current rate:



COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 20—Line of Duty Act (LODA) Program: (Continued)**

***Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate***

	Health Care Trend Rates		
	1% Decrease (6.75% decreasing to 3.75%)	Current (7.75% decreasing to 4.75%)	1% Increase (8.75% decreasing to 5.75%)
County's proportionate share of the total LODA Net OPEB Liability	\$ 1,499,460	\$ 1,773,480	\$ 2,119,048

***LODA OPEB Fiduciary Net Position***

Detailed information about the LODA Program Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 21—Aggregate OPEB Information:**

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:								
Group Life Insurance Plan:								
County	\$ 187,136	\$ 104,987	\$ 899,050	\$ 12,313	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	27,737	22,638	129,693	(139)
School Board Professional	-	-	-	-	521,069	360,550	2,307,463	13,709
County Health Insurance Credit Plan	-	-	-	-	19,356	8,990	64,623	8,037
Teacher Health Insurance Credit Plan	-	-	-	-	565,675	473,254	4,336,908	293,874
Line of Duty Act Program	522,892	161,580	1,773,480	163,641	-	-	-	-
County Stand-Alone Plan	278,341	479,935	1,932,685	139,976	-	-	-	-
School Stand-Alone Plan	-	-	-	-	1,177,896	1,443,928	8,911,073	706,048
Totals	\$ 988,369	\$ 746,502	\$ 4,605,215	\$ 315,930	\$ 2,311,733	\$ 2,309,360	\$ 15,749,760	\$ 1,021,529

**Note 22—Litigation:**

As of June 30, 2020, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions pending matters not be favorable.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 23—Concentration Risk:**

Historically, the County has relied on taxes generated by the Coal Industry. Direct taxes remitted from same include coal and gas severance and machinery and tools taxes. In the past five years, general fund net revenue generated from these sources has declined significantly. This decline in revenue has occurred due to changes in environmental policies of the United States Government. The County does not anticipate significant changes in these policies to occur in the near term. As such, the County does not anticipate continued reliance on the aforementioned revenues. In addition, the County anticipates that other revenue sources will be negatively impacted by a shrinking coal economy; however, estimates (projections) of these declines are not readily available. To date, the County has not identified alternative sources of revenue to maintain historical budget levels.

**Note 24— COVID-19 Pandemic Subsequent Event:**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. County of Wise, Virginia is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic. Among the CARES Act key provisions was \$339.8 billion designated for programs for state and local government, which included \$150 billion in direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF), pursuant to the federal CARES Act, to address spending shortages related to the COVID

The Commonwealth of Virginia received approximately \$3.1 billion from the CRF, of which \$1.3 billion was allocated for localities with fewer than 500,000 people. Localities with populations greater than 500,000 could apply to receive funds directly. All other CRF funds were distributed to the states to determine the allocations to localities.

On May 12, 2020, the first round of the allocations to local governments was authorized by the Commonwealth. On June 1, 2020, each locality received its share of the first half, or fifty (50) percent, of the locally based allocations. Unspent funds of \$2,837,351 at June 30 from the initial allocation are reported as unearned revenue. Like the first round, the second round of allocations was based on population and was for the same total amount distributed in the first round. County of Wise, Virginia, received the second round of CRF funds in the amount of \$3,261,523 on August 17, 2020.

The federal guidance for the CARES Act states that the CRF funds can be used only for the direct costs associated with the response to the COVID-19 pandemic and cannot be used to address revenue shortfalls. CRF funds are considered one-time funds and should not be used for ongoing services or base operations. As a condition of receiving CRF funds, any funds unexpended as of December 30, 2021 will be returned to the federal government.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 25—Upcoming Pronouncements:**

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 25—Upcoming Pronouncements: (continued)**

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

## **Required Supplementary Information**

County of Wise, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget - Positive Positive (Negative)	
	Original	Final	Actual Amounts		
REVENUES					
General property taxes	\$ 30,032,657	\$ 30,034,368	\$ 28,400,564	\$	(1,633,804)
Other local taxes	4,618,000	4,618,000	4,680,714		62,714
Permits, privilege fees, and regulatory licenses	32,000	32,000	25,580		(6,420)
Fines and forfeitures	35,000	35,000	53,859		18,859
Revenue from the use of money and property	274,000	274,000	406,043		132,043
Charges for services	39,788	39,788	55,880		16,092
Miscellaneous	221,700	240,533	220,476		(20,057)
Recovered costs	582,000	631,467	1,532,262		900,795
Intergovernmental:					
Commonwealth	12,599,010	12,690,221	13,121,118		430,897
Federal	4,721,183	8,332,229	6,107,533		(2,224,696)
Total revenues	\$ 53,155,338	\$ 56,927,606	\$ 54,604,029	\$	(2,323,577)
EXPENDITURES					
Current:					
General government administration	\$ 3,642,037	\$ 3,656,933	\$ 3,475,972	\$	180,961
Judicial administration	3,843,855	3,925,699	3,665,584		260,115
Public safety	11,460,895	15,219,458	12,705,308		2,514,150
Public works	1,241,442	1,243,192	884,772		358,420
Health and welfare	13,028,008	13,038,008	12,728,280		309,728
Education	15,554,824	16,646,208	15,530,526		1,115,682
Parks, recreation, and cultural	966,405	972,239	919,109		53,130
Community development	724,148	811,335	727,437		83,898
Nondepartmental	52,589	76,082	87,243		(11,161)
Debt service:					
Principal retirement	1,878	1,878	51,380		(49,502)
Bond issuance costs	-	-	42,477		(42,477)
Total expenditures	\$ 50,516,081	\$ 55,591,032	\$ 50,818,088	\$	4,772,944
Excess (deficiency) of revenues over (under) expenditures	\$ 2,639,257	\$ 1,336,574	\$ 3,785,941	\$	2,449,367
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ 31,890	\$ -	\$	(31,890)
Transfers out	(3,602,379)	(3,605,379)	(3,477,375)		128,004
Issuance of refunding bond	-	1,234,305	3,453,773		2,219,468
Total other financing sources (uses)	\$ (3,602,379)	\$ (2,339,184)	\$ (23,602)	\$	2,315,582
Net change in fund balances	\$ (963,122)	\$ (1,002,610)	\$ 3,762,339	\$	4,764,949
Fund balances - beginning	963,122	1,002,610	22,911,412		21,908,802
Fund balances - ending	\$ -	\$ -	\$ 26,673,751	\$	26,673,751

County of Wise, Virginia  
Special Revenue Fund - Coal Road Improvement Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Other local taxes	\$ -	\$ -	\$ 875,251	\$ 875,251
Revenue from the use of money and property	-	-	40,983	40,983
Total revenues	\$ -	\$ -	\$ 916,234	\$ 916,234
<b>EXPENDITURES</b>				
Current:				
Public works	\$ 315,000	\$ 315,000	\$ 222,177	\$ 92,823
Community development	385,000	385,000	499,170	(114,170)
Total expenditures	\$ 700,000	\$ 700,000	\$ 721,347	\$ (21,347)
Excess (deficiency) of revenues over (under) expenditures	\$ (700,000)	\$ (700,000)	\$ 194,887	\$ 894,887
Net change in fund balances	\$ (700,000)	\$ (700,000)	\$ 194,887	\$ 894,887
Fund balances - beginning	700,000	700,000	3,123,007	2,423,007
Fund balances - ending	\$ -	\$ -	\$ 3,317,894	\$ 3,317,894

County of Wise, Virginia  
Schedule of Employer's Proportionate Share of the Net Pension Liability (Asset)  
Primary Government and Component Unit School Board (professional)  
Pension Plans  
For the Measurement Dates of June 30, 2014 through June 30, 2019

Date (1)	Proportion of the Net Pension Liability (Asset) (NPLA) (2)	Proportionate Share of the NPLA (3)	Covered Payroll (4)	Proportionate Share of the NPLA as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (Asset) (6)
<b>Primary Government - County Retirement Plan (A)</b>					
2019	98.6242%	\$ 10,968,718	\$ 10,794,432	101.61%	81.90%
2018	98.8547%	9,146,168	10,917,731	83.77%	84.11%
2017	98.8547%	8,641,811	10,346,115	83.53%	84.34%
2016	99.1244%	12,283,747	10,456,826	117.47%	77.87%
2015	99.2317%	9,438,135	10,518,844	89.73%	82.24%
<b>Component Unit School Board (professional)</b>					
2019	0.3363%	\$ 44,253,727	\$ 27,789,528	159.25%	73.51%
2018	0.3250%	38,222,000	25,921,458	147.45%	74.81%
2017	0.3509%	43,158,000	27,395,796	157.54%	72.92%
2016	0.3689%	51,696,000	28,122,127	183.83%	68.28%
2015	0.3846%	48,405,000	28,625,391	169.10%	70.68%
2014	0.4036%	48,771,000	29,497,431	165.34%	70.88%

(A) During fiscal year 2016, the County's presentation was changed to a cost-sharing presentation. Information prior to this period is not available.

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.



County of Wise, Virginia  
Schedule of Changes in Net Pension Liability and Related Ratios  
Component Unit School Board (nonprofessional)

Pension Plans						
For the Measurement Dates of June 30, 2014 through June 30, 2019						
	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>						
Service cost	\$ 128,781	\$ 135,411	\$ 144,679	\$ 150,120	\$ 158,445	\$ 153,753
Interest	869,715	841,768	838,566	863,535	854,409	840,738
Differences between expected and actual experience	313,383	234,486	(148,415)	(573,018)	(46,397)	-
Changes in assumptions	(187,100)	-	3,628	-	-	-
Benefit payments, including refunds of employee contributions	(820,095)	(804,736)	(780,696)	(813,973)	(858,196)	(740,191)
<b>Net change in total pension liability</b>	<b>\$ 304,684</b>	<b>\$ 406,929</b>	<b>\$ 57,762</b>	<b>\$ (373,336)</b>	<b>\$ 108,261</b>	<b>\$ 254,300</b>
<b>Total pension liability - beginning</b>	<b>12,834,551</b>	<b>12,427,622</b>	<b>12,369,860</b>	<b>12,743,196</b>	<b>12,634,935</b>	<b>12,380,635</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 13,139,235</b>	<b>\$ 12,834,551</b>	<b>\$ 12,427,622</b>	<b>\$ 12,369,860</b>	<b>\$ 12,743,196</b>	<b>\$ 12,634,935</b>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 293,796	\$ 248,631	\$ 267,012	\$ 262,641	\$ 272,831	\$ 205,764
Contributions - employee	74,964	72,079	77,810	79,498	83,286	84,864
Net investment income	582,288	642,004	985,712	139,335	385,024	1,226,210
Benefit payments, including refunds of employee contributions	(820,095)	(804,736)	(780,696)	(813,973)	(858,196)	(740,191)
Administrative expense	(6,110)	(5,825)	(5,994)	(5,576)	(5,702)	(6,930)
Other	(365)	(559)	(866)	(61)	(80)	65
<b>Net change in plan fiduciary net position</b>	<b>\$ 124,478</b>	<b>\$ 151,594</b>	<b>\$ 542,978</b>	<b>\$ (338,136)</b>	<b>\$ (122,837)</b>	<b>\$ 769,782</b>
<b>Plan fiduciary net position - beginning</b>	<b>9,009,169</b>	<b>8,857,575</b>	<b>8,314,597</b>	<b>8,652,733</b>	<b>8,775,570</b>	<b>8,005,788</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 9,133,647</b>	<b>\$ 9,009,169</b>	<b>\$ 8,857,575</b>	<b>\$ 8,314,597</b>	<b>\$ 8,652,733</b>	<b>\$ 8,775,570</b>
<b>School Division's net pension liability - ending (a) - (b)</b>	<b>\$ 4,005,588</b>	<b>\$ 3,825,382</b>	<b>\$ 3,570,047</b>	<b>\$ 4,055,263</b>	<b>\$ 4,090,463</b>	<b>\$ 3,859,365</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>69.51%</b>	<b>70.19%</b>	<b>71.27%</b>	<b>67.22%</b>	<b>67.90%</b>	<b>69.45%</b>
<b>Covered payroll</b>	<b>\$ 1,542,918</b>	<b>\$ 1,479,309</b>	<b>\$ 1,584,431</b>	<b>\$ 1,629,068</b>	<b>\$ 1,669,474</b>	<b>\$ 1,700,246</b>
<b>School Division's net pension liability as a percentage of covered payroll</b>	<b>259.61%</b>	<b>258.59%</b>	<b>225.32%</b>	<b>248.93%</b>	<b>245.02%</b>	<b>226.99%</b>

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

County of Wise, Virginia  
Schedule of Employer Contributions  
Pension Plans  
For the Years Ended June 30, 2011 through June 30, 2020

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)
<b>Primary Government</b>					
2020	\$ 1,231,295	\$ 1,231,295	\$ -	\$ 11,450,820	10.75%
2019	1,175,304	1,175,304	-	10,794,432	10.89%
2018	1,207,506	1,053,722	153,784	10,917,731	9.65%
2017	1,151,234	1,007,941	143,293	10,346,115	9.74%
2016	1,329,063	1,072,374	256,689	10,456,826	10.26%
2015	1,336,945	1,069,766	267,179	10,518,844	10.17%
2014	1,130,659	791,968	338,691	10,140,435	7.81%
2013	1,054,605	738,696	315,909	9,458,338	7.81%
2012	666,270	666,270	-	9,215,355	7.23%
2011	676,893	676,893	-	9,362,287	7.23%
<b>Component Unit School Board (nonprofessional)</b>					
2020	\$ 303,640	\$ 303,640	\$ -	\$ 1,609,045	18.87%
2019	293,796	293,796	-	1,542,918	19.04%
2018	248,630	248,630	-	1,479,309	16.81%
2017	267,012	267,012	-	1,584,431	16.85%
2016	331,027	264,897	66,130	1,629,068	16.26%
2015	339,237	272,831	66,406	1,669,474	16.34%
2014	275,950	205,764	70,186	1,700,246	12.10%
2013	271,233	202,380	68,853	1,671,183	12.11%
2012	202,132	202,132	-	1,669,133	12.11%
2011	217,026	217,026	-	1,792,122	12.11%
<b>Component Unit School Board (professional)</b>					
2020	\$ 4,423,004	\$ 4,423,004	\$ -	\$ 28,684,823	15.42%
2019	4,309,619	4,309,619	-	27,789,528	15.51%
2018	4,203,485	4,203,485	-	25,921,458	16.22%
2017	3,994,553	3,994,553	-	27,395,796	14.58%
2016	3,943,479	3,943,479	-	28,122,127	14.02%
2015	4,140,057	4,140,057	-	28,625,391	14.46%
2014	4,914,272	4,914,272	-	29,497,431	16.66%
2013	5,360,684	5,360,684	-	28,273,650	18.96%
2012	3,638,140	3,638,140	-	29,796,396	12.21%
2011	3,058,813	3,058,813	-	23,859,696	12.82%

\*The difference relates to the County and School Board using an agreed upon reduced rate from the VRS. This amount will impact the calculation of the net pension liability in the next fiscal year.

Current year contributions are from County records and prior year contributions are from the VRS actuarial valuation performed each year.

**County of Wise, Virginia**  
**Notes to Required Supplementary Information**  
**Pension Plans**  
**For the Year Ended June 30, 2020**

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**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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

**Component Unit School Board - Professional Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

County of Wise, Virginia  
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios  
Healthcare OPEB Plan - Primary Government  
For the Years Ended June 30, 2018 through June 30, 2020

	2020	2019	2018
<b>Total OPEB liability</b>			
Service cost	\$ 112,683	\$ 100,176	\$ 100,914
Interest	71,745	70,754	73,033
Changes in assumptions	218,163	59,374	(9,205)
Differences between expected and actual experience	(359,332)	57,222	(280,453)
Benefit payments	(83,086)	(85,382)	(105,155)
<b>Net change in total OPEB liability</b>	<b>\$ (39,827)</b>	<b>\$ 202,144</b>	<b>\$ (220,866)</b>
<b>Total OPEB liability - beginning</b>	<b>1,972,512</b>	<b>1,770,368</b>	<b>1,991,234</b>
<b>Total OPEB liability - ending</b>	<b>\$ 1,932,685</b>	<b>\$ 1,972,512</b>	<b>\$ 1,770,368</b>
 <b>County's covered payroll</b>	 N/A	 N/A	 N/A
 <b>County's total OPEB liability (asset) as a percentage of covered payroll</b>	 N/A	 N/A	 N/A

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

County of Wise, Virginia  
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios  
Healthcare OPEB Plan - School Board  
For the Years Ended June 30, 2018 through June 30, 2020

	2020	2019	2018
<b>Total OPEB liability</b>			
Service cost	\$ 471,052	\$ 432,303	\$ 435,248
Interest	313,286	329,685	307,380
Changes in assumptions	1,218,609	243,583	(28,197)
Differences between expected and actual experience	(1,325,960)	(215,851)	(361,926)
Benefit payments	(437,012)	(406,775)	(426,552)
<b>Net change in total OPEB liability</b>	<b>\$ 239,975</b>	<b>\$ 382,945</b>	<b>\$ (74,047)</b>
<b>Total OPEB liability - beginning</b>	<b>8,671,098</b>	<b>8,288,153</b>	<b>8,362,200</b>
<b>Total OPEB liability - ending</b>	<b>\$ 8,911,073</b>	<b>\$ 8,671,098</b>	<b>\$ 8,288,153</b>
 <b>School Board's covered payroll</b>	 <b>\$ 30,676,023</b>	 <b>\$ 30,775,590</b>	 <b>\$ 29,734,870</b>
 <b>School Board's total OPEB liability (asset) as a percentage of covered payroll</b>	 <b>29.0%</b>	 <b>28.2%</b>	 <b>27.9%</b>

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

County of Wise, Virginia  
Notes to Required Supplementary Information - Healthcare OPEB Plan  
For the Year Ended June 30, 2020

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Valuation Date: 7/1/2019  
Measurement Date: 6/30/2020

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

**County and School Board**

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry Age Normal Percentage of Salary
Discount Rate	2.66%
Inflation	2.50%
Healthcare Trend Rate	Medical rates start at 8.00% and decrease by varying amounts to an ultimate rate of 4.50% in 2033
Salary Scale	3.50%
Retirement Age	The average age at retirement is 62
Mortality Rates	Mortality rates use SOA Pub-2010 General, Public Safety, Contingent Survivor, Teacher, as applicable, Headcount Weighted Mortality Table fully generational using Scale MP 2019.

County of Wise, Virginia  
Schedule of County's Share of Net OPEB Liability  
Group Life Insurance (GLI) Plan  
For the Measurement Dates of June 30, 2017 through June 30, 2019

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
<b>Primary Government:</b>					
2019	0.05536%	\$ 899,050	\$ 10,827,351	8.30%	52.00%
2018	0.05741%	871,898	10,917,731	7.99%	51.22%
2017	0.05660%	851,478	10,346,115	8.23%	48.86%
<b>Component Unit School Board (nonprofessional):</b>					
2019	0.00797%	\$ 129,693	\$ 1,562,802	8.30%	52.00%
2018	0.00778%	118,000	1,479,309	7.98%	51.22%
2017	0.00859%	130,000	1,584,431	8.20%	48.86%
<b>Component Unit School Board (professional):</b>					
2019	0.14180%	\$ 2,307,463	\$ 27,798,901	8.30%	52.00%
2018	0.13635%	2,071,000	25,921,458	7.99%	51.22%
2017	0.14852%	2,235,000	27,395,796	8.16%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

County of Wise, Virginia  
Schedule of Employer Contributions  
Group Life Insurance (GLI) Plan  
For the Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government:</b>					
2020	\$ 59,342	\$ 59,342	-	\$ 11,433,566	0.52%
2019	56,302	56,302	-	10,827,351	0.52%
2018	56,773	56,773	-	10,917,731	0.52%
2017	54,287	54,287	-	10,346,115	0.52%
<b>Component Unit School Board (nonprofessional):</b>					
2020	\$ 8,389	\$ 8,389	-	\$ 1,613,028	0.52%
2019	8,127	8,127	-	1,562,802	0.52%
2018	7,692	7,692	-	1,479,309	0.52%
2017	8,239	8,239	-	1,584,431	0.52%
2016	7,837	7,837	-	1,632,719	0.48%
2015	8,013	8,013	-	1,669,474	0.48%
2014	8,161	8,161	-	1,700,245	0.48%
2013	8,022	8,022	-	1,671,251	0.48%
2012	4,712	4,712	-	1,682,775	0.28%
2011	5,024	5,024	-	1,794,368	0.28%
<b>Component Unit School Board (professional):</b>					
2020	\$ 149,220	\$ 149,220	-	\$ 28,702,275	0.52%
2019	144,554	144,554	-	27,798,901	0.52%
2018	134,827	134,827	-	25,921,458	0.52%
2017	142,456	142,456	-	27,395,796	0.52%
2016	135,002	135,002	-	28,125,471	0.48%
2015	137,246	137,246	-	28,593,019	0.48%
2014	141,665	141,665	-	29,513,563	0.48%
2013	135,711	135,711	-	28,273,180	0.48%
2012	83,652	83,652	-	29,875,563	0.28%
2011	87,414	87,414	-	31,219,385	0.28%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available for the County as multiple employers participate in the plan. However, additional years will be included as they become available.



County of Wise, Virginia  
Notes to Required Supplementary Information  
Group Life Insurance (GLI) Plan  
For the Year Ended June 30, 2020

**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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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:

**Teachers**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased Rate from 7.00% to 6.75%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

County of Wise, Virginia  
Schedule of Changes in the School Board (Nonprofessional)'s Net OPEB Liability and Related Ratios  
Health Insurance Credit (HIC) Plan  
For the Measurement Dates of June 30, 2017 through 2019

	2019	2018	2017
<b>Total HIC OPEB Liability</b>			
Service cost	\$ 2,478	\$ 2,000	\$ 3,000
Interest	16,439	16,000	17,000
Differences between expected and actual experience	(5,857)	15,000	-
Changes in assumptions	4,881	-	(3,000)
Benefit payments	(22,858)	(25,000)	(17,000)
Other changes	-	-	(1,000)
<b>Net change in total HIC OPEB liability</b>	\$ (4,917)	\$ 8,000	\$ (1,000)
<b>Total HIC OPEB Liability - beginning</b>	252,000	244,000	245,000
<b>Total HIC OPEB Liability - ending (a)</b>	<u>\$ 247,083</u>	<u>\$ 252,000</u>	<u>\$ 244,000</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 6,789	\$ 5,000	\$ 5,000
Net investment income	11,293	13,000	21,000
Benefit payments	(22,858)	(25,000)	(17,000)
Administrator charges	(751)	-	-
Other	(13)	(1,000)	1,000
<b>Net change in plan fiduciary net position</b>	\$ (5,540)	\$ (8,000)	\$ 10,000
<b>Plan fiduciary net position - beginning</b>	188,000	196,000	186,000
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 182,460</u>	<u>\$ 188,000</u>	<u>\$ 196,000</u>
<b>School Board (Nonprofessional)'s net HIC OPEB liability - ending (a) - (b)</b>	\$ 64,623	\$ 64,000	\$ 48,000
<b>Plan fiduciary net position as a percentage of the total HIC OPEB liability</b>	73.85%	74.60%	80.33%
<b>Covered payroll</b>	\$ 1,542,918	\$ 1,479,309	\$ 1,584,431
<b>School Board (Nonprofessional)'s net HIC OPEB liability as a percentage of covered payroll</b>	4.19%	4.33%	3.03%

Schedule is intended to show information for 10 years. Information prior to the 2018 valuation is not available. However, additional years will be included as they become available.

County of Wise, Virginia  
Schedule of Employer Contributions - School Board (Nonprofessional)  
Health Insurance Credit (HIC) Plan  
For the Years Ended June 30, 2011 through June 30, 2020

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Date	Contributions in Relation to			Contributions	
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	as a % of Covered Payroll (5)
2020	\$ 7,080	\$ 7,080	\$ -	\$ 1,609,045	0.44%
2019	6,789	6,789	-	1,542,918	0.44%
2018	4,882	4,882	-	1,479,309	0.33%
2017	5,228	5,228	-	1,584,431	0.33%
2016	5,864	5,864	-	1,629,068	0.36%
2015	6,010	6,010	-	1,669,474	0.36%
2014	6,800	6,800	-	1,700,245	0.40%
2013	6,690	6,690	-	1,672,583	0.40%
2012	7,177	7,177	-	1,669,133	0.43%
2011	7,706	7,706	-	1,792,121	0.43%

County of Wise, Virginia  
Notes to Required Supplementary Information  
Health Insurance Credit (HIC) Plan  
For the Year Ended June 30, 2020

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**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, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

County of Wise, Virginia  
 Schedule of School Board's Share of Net OPEB Liability  
 Teacher Employee Health Insurance Credit (HIC) Plan  
 For the Measurement Dates of June 30, 2017 through 2019

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
				(5)	
2019	0.33129% \$	4,336,908 \$	27,789,528	15.61%	8.97%
2018	0.32052%	4,069,000	25,681,458	15.84%	8.08%
2017	0.34702%	4,403,000	27,395,796	16.07%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

County of Wise, Virginia  
Schedule of Employer Contributions  
Teacher Employee Health Insurance Credit (HIC) Plan  
For the Years Ended June 30, 2011 through June 30, 2020

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Date	Contributions in Relation to		Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution			
	(1)	(2)	(3)	(4)	(5)
2020	\$ 344,216	\$ 344,216	\$ -	\$ 28,684,823	1.20%
2019	333,474	333,474	-	27,789,528	1.20%
2018	318,834	318,834	-	25,681,458	1.24%
2017	303,993	303,993	-	27,395,796	1.11%
2016	298,130	298,130	-	28,125,471	1.06%
2015	303,086	303,086	-	28,593,019	1.06%
2014	327,600	327,600	-	29,513,563	1.11%
2013	313,527	313,527	-	28,245,719	1.11%
2012	178,624	178,624	-	29,770,762	0.60%
2011	186,613	186,613	-	31,102,222	0.60%

County of Wise, Virginia  
Notes to Required Supplementary Information  
Teacher Employee Health Insurance Credit (HIC) Plan  
For the Year Ended June 30, 2020

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**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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rates	Decreased rate from 7.00% to 6.75%

County of Wise, Virginia  
Schedule of Employer's Share of Net LODA OPEB Liability  
Line of Duty Act (LODA) Program  
For the Measurement Dates of June 30, 2017 through 2019

Date (1)	Employer's Proportion of the Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered- Employee Payroll * (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2019	0.49430% \$	1,773,480	n/a	n/a	0.79%
2018	0.49005%	1,537,000	n/a	n/a	0.60%
2017	0.49187%	1,293,000	n/a	n/a	1.30%

\* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.



County of Wise, Virginia  
Schedule of Employer Contributions  
Line of Duty Act (LODA) Program  
For the Years Ended June 30, 2017 through June 30, 2020

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Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll * (4)	Contributions as a % of Covered - Employee Payroll (5)
2020	\$ 68,989	\$ 68,989	\$ -	n/a	n/a
2019	66,342	66,342	-	n/a	n/a
2018	52,198	52,198	-	n/a	n/a
2017	53,049	53,049	-	n/a	n/a

\* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

Schedule is intended to show information for 10 years. Information prior to 2017 is not available. However, additional years will be included as they become available.

County of Wise, Virginia  
Notes to Required Supplementary Information  
Line of Duty Act (LODA) Program  
For the Year Ended June 30, 2020

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**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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

**Employees in the Non-Largest Ten Locality Employers with Public Safety Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%

## **Other Supplementary Information**

County of Wise, Virginia  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2020

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Total</u>
	<u>Forfeited Assets Fund</u>			
<b>ASSETS</b>				
Cash and cash equivalents	\$ 167,484	\$ 54,276	\$ 221,760	
Investments	-	227,889	227,889	
Due from other governmental units	-	134,788	134,788	
Total assets	<u>\$ 167,484</u>	<u>\$ 416,953</u>	<u>\$ 584,437</u>	
<b>LIABILITIES</b>				
Accounts payable	\$ 980	\$ 52,702	\$ 53,682	
Due to other funds	-	82,086	82,086	
Total liabilities	<u>\$ 980</u>	<u>\$ 134,788</u>	<u>\$ 135,768</u>	
<b>FUND BALANCES</b>				
Restricted:				
Capital Projects	\$ -	\$ 282,165	\$ 282,165	
Asset forfeiture funds	166,504	-	166,504	
Total fund balances	<u>\$ 166,504</u>	<u>\$ 282,165</u>	<u>\$ 448,669</u>	
Total liabilities and fund balances	<u>\$ 167,484</u>	<u>\$ 416,953</u>	<u>\$ 584,437</u>	

County of Wise, Virginia  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2020

	Special Revenue Funds		
	Forfeited Assets Fund	Capital Projects Fund	Total
<b>REVENUES</b>			
Revenue from the use of money and property	\$ 232	\$ -	\$ 232
Miscellaneous	86,930	19,239	106,169
Intergovernmental:			
Commonwealth	3,980	373,746	377,726
Federal	-	1,187,041	1,187,041
Total revenues	\$ 91,142	\$ 1,580,026	\$ 1,671,168
<b>EXPENDITURES</b>			
Current:			
Public safety	\$ 96,921	\$ -	\$ 96,921
Capital projects	-	1,502,035	1,502,035
Total expenditures	\$ 96,921	\$ 1,502,035	\$ 1,598,956
Excess (deficiency) of revenues over (under) expenditures	\$ (5,779)	\$ 77,991	\$ 72,212
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ 2,375	\$ -	\$ 2,375
Net change in fund balances	\$ (3,404)	\$ 77,991	\$ 74,587
Fund balances - beginning	169,908	204,174	374,082
Fund balances - ending	\$ 166,504	\$ 282,165	\$ 448,669

County of Wise, Virginia  
Combining Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2020

	Agency Funds			
	Special Welfare Fund	Local Sales Tax Fund	Lonesome Pine Youth Services Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 144,283	\$ 50,852	\$ 273	\$ 195,408
Total assets	<u>\$ 144,283</u>	<u>\$ 50,852</u>	<u>\$ 273</u>	<u>\$ 195,408</u>
<b>LIABILITIES</b>				
Amounts held for social services clients	\$ 144,283	\$ -	\$ -	\$ 144,283
Amounts held for other governments	-	50,852	-	50,852
Amounts held for youth services	-	-	273	273
Total liabilities	<u>\$ 144,283</u>	<u>\$ 50,852</u>	<u>\$ 273</u>	<u>\$ 195,408</u>

County of Wise, Virginia  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
June 30, 2020

	Agency Funds			
	Special Welfare Fund	Local Sales Tax Fund	Lonesome Pine Youth Services Fund	Total
<b>Assets:</b>				
Beginning Balance	\$ 149,357	\$ 50,274	\$ 273	\$ 199,904
Additions	94,974	-	75,000	169,974
Deletions	(100,048)	578	(75,000)	(174,470)
Ending Balance	<u>\$ 144,283</u>	<u>\$ 50,852</u>	<u>\$ 273</u>	<u>\$ 195,408</u>
<b>Liabilities:</b>				
Beginning Balance	\$ 149,357	\$ 50,274	\$ 273	\$ 199,904
Additions	94,974	-	75,000	169,974
Deletions	(100,048)	578	(75,000)	(174,470)
Ending Balance	<u>\$ 144,283</u>	<u>\$ 50,852</u>	<u>\$ 273</u>	<u>\$ 195,408</u>

County of Wise, Virginia  
Combining Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2020

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 869,373	\$ 1,858,707	\$ 13,200	\$ 2,741,280
Investments	722,371	738,668	-	1,461,039
Due from other governmental units	1,903,827	-	-	1,903,827
Prepaid items	336,226	-	-	336,226
Total assets	<u>\$ 3,831,797</u>	<u>\$ 2,597,375</u>	<u>\$ 13,200</u>	<u>\$ 6,442,372</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 719,287	\$ 195,681	\$ -	\$ 914,968
Due to primary government	1,185,552	-	13,200	1,198,752
Total liabilities	<u>\$ 1,904,839</u>	<u>\$ 195,681</u>	<u>\$ 13,200</u>	<u>\$ 2,113,720</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid items	\$ 336,226	\$ -	\$ -	\$ 336,226
Restricted:				
School cafeteria	-	2,401,694	-	2,401,694
Committed:				
Textbooks	1,590,732	-	-	1,590,732
Total fund balances	<u>\$ 1,926,958</u>	<u>\$ 2,401,694</u>	<u>\$ -</u>	<u>\$ 4,328,652</u>
Total liabilities and fund balances	<u>\$ 3,831,797</u>	<u>\$ 2,597,375</u>	<u>\$ 13,200</u>	<u>\$ 6,442,372</u>

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances per above	\$ 4,328,652
-------------------------------	--------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 1,973,463	
Buildings and improvements	24,829,462	
Machinery and equipment	<u>2,853,460</u>	29,656,385

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$ 10,377,821	
OPEB related items	<u>2,311,733</u>	12,689,554

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

Net pension liability	\$ (48,259,315)	
Net OPEB liabilities	(15,749,760)	
Compensated absences	<u>(317,487)</u>	(64,326,562)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$ (8,077,137)	
OPEB related items	<u>(2,309,360)</u>	(10,386,497)

Net position of governmental activities

<u>\$ (28,038,468)</u>
------------------------



County of Wise, Virginia  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2020

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Total
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 20,331	\$ 29,735	\$ -	\$ 50,066
Charges for services	201,581	314,432	-	516,013
Miscellaneous	-	-	13,200	13,200
Recovered costs	1,353,487	-	-	1,353,487
Intergovernmental:				
Local government	15,362,265	-	113,705	15,475,970
Commonwealth	40,358,484	61,064	-	40,419,548
Federal	4,855,715	2,487,187	-	7,342,902
Total revenues	<u>\$ 62,151,863</u>	<u>\$ 2,892,418</u>	<u>\$ 126,905</u>	<u>\$ 65,171,186</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 57,001,821	\$ 3,046,081	\$ -	\$ 60,047,902
Capital projects	-	-	126,905	126,905
Debt service:				
Principal retirement	16,779,317	-	-	16,779,317
Bond issuance costs	409,387	-	-	409,387
Interest and other fiscal charges	2,606,874	-	-	2,606,874
Total expenditures	<u>\$ 76,797,399</u>	<u>\$ 3,046,081</u>	<u>\$ 126,905</u>	<u>\$ 79,970,385</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (14,645,536)</u>	<u>\$ (153,663)</u>	<u>\$ -</u>	<u>\$ (14,799,199)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from refunding issuance	\$ 13,655,000	\$ -	\$ -	\$ 13,655,000
Proceeds from premium on refunding	1,635,752	-	-	1,635,752
Total other financing sources (uses)	<u>\$ 15,290,752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,290,752</u>
Net change in fund balances	\$ 645,216	\$ (153,663)	\$ -	\$ 491,553
Fund balances - beginning	1,281,742	2,555,357	-	3,837,099
Fund balances - ending	<u>\$ 1,926,958</u>	<u>\$ 2,401,694</u>	<u>\$ -</u>	<u>\$ 4,328,652</u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:				
Net change in fund balances - total governmental funds - per above				\$ 491,553
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.				
Capital asset additions			\$ 1,021,298	
Depreciation in current year			<u>(2,172,831)</u>	(1,151,533)
The issuance of capital leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also government funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.				
Capital leases - principal payments				99,317
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.				
(Increase) decrease in compensated absences			\$ 21,661	
Changes in pension related items			1,047,888	
Changes in OPEB related items			<u>(75,262)</u>	994,287
Change in net position of governmental activities				<u>\$ 433,624</u>

County of Wise, Virginia  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Discretely Presented Component Unit - School Board  
Governmental Funds  
For the Year Ended June 30, 2020

	School Operating Fund				School Cafeteria Fund				School Capital Projects Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final			Original	Final		
<b>REVENUES</b>												
Revenue from the use of money and property	\$ 10,000	\$ 10,000	\$ 20,331	\$ 10,331	\$ -	\$ -	\$ 29,735	\$ 29,735	\$ -	\$ -	\$ -	\$ -
Charges for services	45,700	45,700	201,581	155,881	484,874	484,874	314,432	(170,442)	-	-	-	-
Miscellaneous	150,000	150,000	-	(150,000)	-	-	-	-	-	-	13,200	13,200
Recovered costs	1,450,000	1,450,000	1,353,487	(96,513)	-	-	-	-	-	-	-	-
Intergovernmental:												
Local government	15,350,268	15,350,268	15,362,265	11,997	-	-	-	-	150,000	150,000	113,705	(36,295)
Commonwealth	39,991,865	39,991,865	40,358,484	366,619	58,126	58,126	61,064	2,938	-	-	-	-
Federal	3,950,354	3,950,354	4,855,715	905,361	2,400,000	2,400,000	2,487,187	87,187	-	-	-	-
Total revenues	\$ 60,948,187	\$ 60,948,187	\$ 62,151,863	\$ 1,203,676	\$ 2,943,000	\$ 2,943,000	\$ 2,892,418	\$ (50,582)	\$ 150,000	\$ 150,000	\$ 126,905	\$ (23,095)
<b>EXPENDITURES</b>												
Current:												
Education	\$ 56,572,866	\$ 56,572,866	\$ 57,001,821	\$ (428,955)	\$ 2,916,930	\$ 2,916,930	\$ 3,046,081	\$ (129,151)	\$ -	\$ -	\$ -	\$ -
Capital projects	-	-	-	-	-	-	-	-	150,000	150,000	126,905	23,095
Debt service:												
Principal retirement	1,880,000	1,880,000	16,779,317	(14,899,317)	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	409,387	(409,387)	-	-	-	-	-	-	-	-
Interest and other fiscal charges	115,321	115,321	2,606,874	(2,491,553)	-	-	-	-	-	-	-	-
Total expenditures	\$ 58,568,187	\$ 58,568,187	\$ 76,797,399	\$ (18,229,212)	\$ 2,916,930	\$ 2,916,930	\$ 3,046,081	\$ (129,151)	\$ 150,000	\$ 150,000	\$ 126,905	\$ 23,095
Excess (deficiency) of revenues over (under) expenditures	\$ 2,380,000	\$ 2,380,000	\$ (14,645,536)	\$ (17,025,536)	\$ 26,070	\$ 26,070	\$ (153,663)	\$ (179,733)	\$ -	\$ -	\$ -	\$ -
<b>OTHER FINANCING SOURCES (USES)</b>												
Proceeds from refunding issuance	\$ -	\$ -	\$ 13,655,000	\$ 13,655,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from premium on refunding	-	-	1,635,752	1,635,752	-	-	-	-	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ 15,290,752	\$ 15,290,752	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ 2,380,000	\$ 2,380,000	\$ 645,216	\$ (1,734,784)	\$ 26,070	\$ 26,070	\$ (153,663)	\$ (179,733)	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	(2,380,000)	(2,380,000)	1,281,742	3,661,742	(26,070)	(26,070)	2,555,357	2,581,427	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 1,926,958	\$ 1,926,958	\$ -	\$ -	\$ 2,401,694	\$ 2,401,694	\$ -	\$ -	\$ -	\$ -

## **SUPPORTING SCHEDULES**

County of Wise, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real Property Tax	\$ 12,725,477	\$ 12,725,477	\$ 12,744,955	\$ 19,478
Real and Personal PSC Tax	9,906,009	9,906,009	9,387,148	(518,861)
Personal Property Tax	5,457,727	5,457,727	4,191,493	(1,266,234)
Mobile Home Tax	198,444	198,444	188,209	(10,235)
Machinery and Tools Tax	475,000	475,000	576,408	101,408
Merchants Capital Tax	770,000	770,000	778,187	8,187
DMV stops/administration fees	-	1,711	244,456	242,745
Penalties	500,000	500,000	189,935	(310,065)
Interest	-	-	99,773	99,773
Total general property taxes	<u>\$ 30,032,657</u>	<u>\$ 30,034,368</u>	<u>\$ 28,400,564</u>	<u>\$ (1,633,804)</u>
Other local taxes:				
Local Sales and Use Tax	\$ 2,700,000	\$ 2,700,000	\$ 2,864,553	\$ 164,553
Consumers' Utility Tax	475,000	475,000	467,244	(7,756)
Consumption Tax	100,000	100,000	90,308	(9,692)
Coal Severance Tax	1,160,000	1,160,000	933,962	(226,038)
Utility License Tax	36,000	36,000	29,012	(6,988)
Transient Occupancy Tax	30,000	30,000	63,148	33,148
Bank Stock Tax	-	-	19,141	19,141
Moped Sales Tax	12,000	12,000	19,807	7,807
Taxes on Recordation and Wills	105,000	105,000	193,539	88,539
Total other local taxes	<u>\$ 4,618,000</u>	<u>\$ 4,618,000</u>	<u>\$ 4,680,714</u>	<u>\$ 62,714</u>
Permits, privilege fees, and regulatory licenses:				
Building permits	\$ 20,000	\$ 20,000	\$ 16,375	\$ (3,625)
Zoning permits	2,000	2,000	2,950	950
Animal licenses	9,000	9,000	5,047	(3,953)
Land use application fees	-	-	108	108
Erosion and sediment permits	1,000	1,000	1,100	100
Total permits, privilege fees, and regulatory licenses	<u>\$ 32,000</u>	<u>\$ 32,000</u>	<u>\$ 25,580</u>	<u>\$ (6,420)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 35,000	\$ 35,000	\$ 53,859	\$ 18,859
Revenue from use of money and property:				
Revenue from use of money	\$ 172,000	\$ 172,000	\$ 334,750	\$ 162,750
Revenue from use of property	102,000	102,000	71,293	(30,707)
Total revenue from use of money and property	<u>\$ 274,000</u>	<u>\$ 274,000</u>	<u>\$ 406,043</u>	<u>\$ 132,043</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ 3,394	\$ 3,394	\$ 3,394	\$ -
Excess Fees of Clerk	1,000	1,000	1,010	10
Charges for electronic summons	-	-	11,896	11,896
Charges for Community Corrections	-	-	12,135	12,135
Courthouse maintenance fees	12,000	12,000	8,224	(3,776)
Court recording fees	10,000	10,000	5,976	(4,024)
Charges for Commonwealth's Attorney	10,000	10,000	2,677	(7,323)
Charges for law enforcement and traffic control	3,394	3,394	-	(3,394)
Other Charges for Services	-	-	10,568	10,568
Total charges for services	<u>\$ 39,788</u>	<u>\$ 39,788</u>	<u>\$ 55,880</u>	<u>\$ 16,092</u>

County of Wise, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous revenue	\$ 221,700	\$ 240,533	\$ 220,476	\$ (20,057)
Recovered costs:				
Recovered costs - City of Norton shared services	\$ 232,000	\$ 232,000	\$ 289,557	\$ 57,557
Recovered costs - Pre-trial services	200,000	240,000	280,000	40,000
Recovered costs - Social Services	100,000	100,000	199,652	99,652
Recovered costs - Health Department	-	-	18,642	18,642
Recovered costs - other	50,000	59,467	744,411	684,944
Total recovered costs	\$ 582,000	\$ 631,467	\$ 1,532,262	\$ 900,795
Total revenue from local sources	\$ 35,835,145	\$ 35,905,156	\$ 35,375,378	\$ (529,778)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicles carriers' tax	\$ 139,000	\$ 139,000	\$ 135,390	\$ (3,610)
Mobile home titling tax	100,000	100,000	95,498	(4,502)
Motor vehicle rental tax	5,000	5,000	5,299	299
State recordation tax	30,000	30,000	23,588	(6,412)
Communications tax	825,000	825,000	832,776	7,776
Personal property tax relief act funds	-	-	1,380,233	1,380,233
Total noncategorical aid	\$ 1,099,000	\$ 1,099,000	\$ 2,472,784	\$ 1,373,784
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 765,787	\$ 765,787	\$ 763,399	\$ (2,388)
Sheriff	2,273,199	2,275,747	2,260,634	(15,113)
Commissioner of revenue	207,280	207,280	207,194	(86)
Treasurer	167,294	167,294	167,054	(240)
Registrar/electoral board	45,621	45,621	65,498	19,877
Clerk of the Circuit Court	525,985	570,040	543,550	(26,490)
Total Shared Expenses	\$ 3,985,166	\$ 4,031,769	\$ 4,007,329	\$ (24,440)
Other categorical aid:				
Victim witness grant	\$ 22,611	\$ 22,611	\$ 22,611	\$ -
Domestic Violence Grant	45,000	45,000	45,000	-
SW VA Corrections grant	1,232,567	1,259,410	1,259,410	-
Law enforcement grants	165,608	177,008	145,323	(31,685)
Drug court grant	-	-	25,615	25,615
Four for life grant	34,000	34,000	-	(34,000)
Emergency services grants	43,000	43,000	39,483	(3,517)
Hazmat mitigation	45,000	45,000	48,547	3,547
Fire Program Funds	92,250	92,250	97,071	4,821
Library grants	4,500	10,197	10,197	-
Public assistance	3,898,601	3,898,601	3,440,018	(458,583)
Comprehensive services act	1,924,707	1,924,707	1,319,185	(605,522)
CDBG state grants	-	668	2,668	2,000
Juror reimbursement	-	-	1,595	1,595
CCRP circuit court	7,000	7,000	-	(7,000)
Sheriff grants	-	-	184,282	184,282
Total other categorical aid	\$ 7,514,844	\$ 7,559,452	\$ 6,641,005	\$ (918,447)
Total categorical aid	\$ 11,500,010	\$ 11,591,221	\$ 10,648,334	\$ (942,887)
Total revenue from the Commonwealth	\$ 12,599,010	\$ 12,690,221	\$ 13,121,118	\$ 430,897

County of Wise, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of tax	\$ 4,500	\$ 4,500	\$ 94,320	\$ 89,820
Categorical aid:				
DMV ground transportation safety grant	\$ -	\$ -	\$ 201,303	\$ 201,303
Homeland security	-	-	21,000	21,000
Law enforcement grants	317,965	667,488	32,042	(635,446)
Emergency management preparedness	-	-	10,750	10,750
Crime victim assistance	67,833	67,833	84,197	16,364
Violence against women grant	25,000	25,000	31,188	6,188
COVID-19 CARES Funds	-	3,261,523	424,172	(2,837,351)
Public assistance	4,305,885	4,305,885	5,149,411	843,526
VOCA	-	-	59,150	59,150
Total categorical aid	\$ 4,716,683	\$ 8,327,729	\$ 6,013,213	\$ (2,314,516)
Total revenue from the federal government	\$ 4,721,183	\$ 8,332,229	\$ 6,107,533	\$ (2,224,696)
Total General Fund	\$ 53,155,338	\$ 56,927,606	\$ 54,604,029	\$ (2,323,577)
<b>Special Revenue Funds:</b>				
<b>Coal Road Improvement Fund:</b>				
Revenue from local sources:				
Other local taxes:				
Coal road taxes	\$ -	\$ -	\$ 875,251	\$ 875,251
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 40,983	\$ 40,983
Total Coal Road Improvement Fund	\$ -	\$ -	\$ 916,234	\$ 916,234
<b>Forfeited Assets Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 232	\$ 232
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 86,930	\$ 86,930
Total revenue from local sources	\$ -	\$ -	\$ 87,162	\$ 87,162
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid	\$ -	\$ -	\$ 3,980	\$ 3,980
Total Forfeited Assets Fund	\$ -	\$ -	\$ 91,142	\$ 91,142

County of Wise, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Nonmajor Capital Projects Funds:</b>				
<b>Capital Projects Fund:</b>				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 19,239	\$ 19,239
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VDOT Revenue Sharing	\$ -	\$ -	\$ 370,635	\$ 370,635
SWVA WW	-	-	3,111	3,111
Total categorical aid	\$ -	\$ -	\$ 373,746	\$ 373,746
Revenue from the federal government:				
Categorical aid:				
CDBG	\$ -	\$ -	\$ 1,055,665	\$ 1,055,665
EPA	-	-	131,376	131,376
Total categorical aid	\$ -	\$ -	\$ 1,187,041	\$ 1,187,041
Total revenue from the federal government	\$ -	\$ -	\$ 1,187,041	\$ 1,187,041
Total Capital Projects Fund	\$ -	\$ -	\$ 1,580,026	\$ 1,580,026
Total Primary Government	\$ 53,155,338	\$ 56,927,606	\$ 57,191,431	\$ 263,825
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 10,000	\$ 10,000	\$ 7,820	\$ (2,180)
Revenue from the use of property	-	-	12,511	12,511
Total revenue from use of money and property	\$ 10,000	\$ 10,000	\$ 20,331	\$ 10,331
Charges for services:				
Tuition and payments from other divisions	\$ 45,700	\$ 45,700	\$ 201,581	\$ 155,881
Miscellaneous revenue:				
Other miscellaneous	\$ 150,000	\$ 150,000	\$ -	\$ (150,000)
Recovered costs:				
ERATE reimbursements	\$ 200,000	\$ 200,000	\$ -	\$ (200,000)
Other recovered costs	1,250,000	1,250,000	1,353,487	103,487
Total recovered costs	\$ 1,450,000	\$ 1,450,000	\$ 1,353,487	\$ (96,513)
Total revenue from local sources	\$ 1,655,700	\$ 1,655,700	\$ 1,575,399	\$ (80,301)

County of Wise, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Wise, Virginia	\$ 15,350,268	\$ 15,350,268	\$ 15,362,265	\$ 11,997
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 6,291,688	\$ 6,291,688	\$ 6,333,279	\$ 41,591
Basic Aid	18,879,770	18,879,770	18,801,154	(78,616)
Remedial summer education	89,958	89,958	79,533	(10,425)
Regular foster care	-	-	12,951	12,951
Special education	1,767,594	1,767,594	1,768,529	935
Alternative education	357,294	357,294	357,293	(1)
Algebra readiness	107,345	107,345	116,333	8,988
Mentor teacher program	-	-	-	-
Social security fringe benefits	1,163,632	1,163,632	1,164,248	616
Group life fringe benefits	80,528	80,528	80,571	43
Retirement fringe benefits	2,568,850	2,568,850	2,570,208	1,358
Governor's School	34,000	34,000	33,930	(70)
Early reading intervention	148,423	148,423	188,673	40,250
Adult education	52,405	52,405	105,215	52,810
Homebound education	102,649	102,649	33,638	(69,011)
Vocation education	867,000	867,000	869,439	2,439
At risk payments	1,256,139	1,256,139	1,256,474	335
Primary class size	1,101,064	1,101,064	1,088,935	(12,129)
VPSA technology	362,000	362,000	393,166	31,166
At risk 4 year olds	737,947	737,947	737,947	-
English as a second language	-	-	7,595	7,595
Textbook/lottery payments	405,419	405,419	405,634	215
GED prep program	-	-	25,159	25,159
Gifted and talented	201,321	201,321	201,427	106
Remedial education	769,044	769,044	769,451	407
Project graduation	4,284	4,284	4,284	-
Salary supplement	1,153,660	1,153,660	1,157,895	4,235
Other state funds	4,953	4,953	93,675	88,722
Lottery support for schools	1,484,898	1,484,898	1,474,486	(10,412)
VPI Provision	-	-	2,956	2,956
VA workplace readiness	-	-	1,602	1,602
Special Education- jail program	-	-	200,341	200,341
School security equipment grant	-	-	22,463	22,463
Total categorical aid	\$ 39,991,865	\$ 39,991,865	\$ 40,358,484	\$ 366,619
Total revenue from the Commonwealth	\$ 39,991,865	\$ 39,991,865	\$ 40,358,484	\$ 366,619
Revenue from the federal government:				
Noncategorical aid:				
QSCB federal interest subsidy	\$ -	\$ -	\$ 602,232	\$ 602,232
Categorical aid:				
Title I	\$ 1,750,000	\$ 1,750,000	\$ 1,979,579	\$ 229,579
Special education	1,320,354	1,320,354	1,461,115	140,761
Title VI-B, preschool	30,000	30,000	42,571	12,571
Vocational education	120,000	120,000	186,522	66,522
Improving teacher quality	350,000	350,000	37,715	(312,285)
Title VI rural education	-	-	87,980	87,980



County of Wise, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Title IV Part A 84.424	\$ -	\$ -	\$ 142,325	\$ 142,325
Even Start 84.130	-	-	12,232	12,232
Forest reserve	5,000	5,000	51,395	46,395
Basic adult education	375,000	375,000	252,049	(122,951)
Total categorical aid	<u>\$ 3,950,354</u>	<u>\$ 3,950,354</u>	<u>\$ 4,253,483</u>	<u>\$ 303,129</u>
Total revenue from the federal government	<u>\$ 3,950,354</u>	<u>\$ 3,950,354</u>	<u>\$ 4,855,715</u>	<u>\$ 905,361</u>
Total School Operating Fund	<u>\$ 60,948,187</u>	<u>\$ 60,948,187</u>	<u>\$ 62,151,863</u>	<u>\$ 1,203,676</u>
<b>School Cafeteria Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 29,735	\$ 29,735
Charges for services:				
Cafeteria sales	\$ 484,874	\$ 484,874	\$ 314,432	\$ (170,442)
Total revenue from local sources	<u>\$ 484,874</u>	<u>\$ 484,874</u>	<u>\$ 344,167</u>	<u>\$ (140,707)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 58,126	\$ 58,126	\$ 61,064	\$ 2,938
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 2,400,000	\$ 2,400,000	\$ 2,155,453	\$ (244,547)
Fresh fruit and vegetables grant	-	-	331,734	331,734
Total categorical aid	<u>\$ 2,400,000</u>	<u>\$ 2,400,000</u>	<u>\$ 2,487,187</u>	<u>\$ 87,187</u>
Total revenue from the federal government	<u>\$ 2,400,000</u>	<u>\$ 2,400,000</u>	<u>\$ 2,487,187</u>	<u>\$ 87,187</u>
Total School Cafeteria Fund	<u>\$ 2,943,000</u>	<u>\$ 2,943,000</u>	<u>\$ 2,892,418</u>	<u>\$ (50,582)</u>
<b>Capital Projects Fund:</b>				
<b>School Capital Projects Fund:</b>				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 13,200	\$ 13,200
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Wise, Virginia	\$ 150,000	\$ 150,000	\$ 113,705	\$ (36,295)
Total School Capital Projects Fund	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 126,905</u>	<u>\$ (23,095)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 64,041,187</u>	<u>\$ 64,041,187</u>	<u>\$ 65,171,186</u>	<u>\$ 1,129,999</u>

County of Wise, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of Supervisors	\$ 316,777	\$ 319,777	\$ 304,556	\$ 15,221
General and financial administration:				
County Administrator	\$ 529,418	\$ 529,668	\$ 596,417	\$ (66,749)
Legal services	194,139	194,139	171,563	22,576
Commissioner of Revenue	766,757	766,757	738,903	27,854
Assessor	128,451	128,451	142,341	(13,890)
Treasurer	717,398	729,044	697,537	31,507
Data Processing	303,737	303,737	260,570	43,167
GIS	339,392	339,392	319,421	19,971
Total general and financial administration	\$ 2,979,292	\$ 2,991,188	\$ 2,926,752	\$ 64,436
Board of elections:				
Electoral Board	\$ 16,496	\$ 16,496	\$ 9,847	\$ 6,649
Registrar	329,472	329,472	234,817	94,655
Total board of elections	\$ 345,968	\$ 345,968	\$ 244,664	\$ 101,304
Total general government administration	\$ 3,642,037	\$ 3,656,933	\$ 3,475,972	\$ 180,961
Judicial administration:				
Courts:				
Circuit court	\$ 190,034	\$ 202,176	\$ 178,316	\$ 23,860
General district court	20,550	22,383	18,002	4,381
Juvenile and domestic court clerk	10,075	11,103	7,920	3,183
Juvenile and domestic relations court	516,402	516,689	514,949	1,740
Clerk of the circuit court	972,728	1,020,549	957,141	63,408
Sheriff - court services	683,735	683,735	632,947	50,788
Magistrate	4,454	4,454	3,937	517
Victim witness	100,927	100,927	94,164	6,763
Drug court	-	18,065	4,485	13,580
Law library	31,170	31,170	11,410	19,760
Total courts	\$ 2,530,075	\$ 2,611,251	\$ 2,423,271	\$ 187,980
Commonwealth's Attorney:				
Commonwealth's Attorney	\$ 1,313,780	\$ 1,314,448	\$ 1,242,313	\$ 72,135
Total judicial administration	\$ 3,843,855	\$ 3,925,699	\$ 3,665,584	\$ 260,115
Public safety:				
Law enforcement and traffic control:				
Sheriff - law enforcement	\$ 4,158,754	\$ 4,534,614	\$ 5,459,868	\$ (925,254)
Dispatcher/E911	999,544	999,544	987,867	11,677
Total law enforcement and traffic control	\$ 5,158,298	\$ 5,534,158	\$ 6,447,735	\$ (913,577)
Fire and rescue services:				
Volunteer fire departments	\$ 380,050	\$ 380,050	\$ 377,889	\$ 2,161
Ambulance and rescue services	253,701	253,701	213,166	40,535
Total fire and rescue services	\$ 633,751	\$ 633,751	\$ 591,055	\$ 42,696
Correction and detention:				
Southwest Virginia Regional Jail	\$ 3,452,853	\$ 3,452,853	\$ 3,452,852	\$ 1
Pre-trial services	823,166	891,373	850,943	40,430
SWVA Community Corrections Center	664,712	695,238	713,708	(18,470)
Total correction and detention	\$ 4,940,731	\$ 5,039,464	\$ 5,017,503	\$ 21,961
Inspections:				
Building inspector	\$ 165,665	\$ 165,665	\$ 153,099	\$ 12,566

County of Wise, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Other protection:				
Animal control	\$ 231,338	\$ 231,338	\$ 192,308	\$ 39,030
Pandemic Response	-	3,261,523	89,650	3,171,873
Emergency services	331,112	353,559	213,958	139,601
Total other protection	<u>\$ 562,450</u>	<u>\$ 3,846,420</u>	<u>\$ 495,916</u>	<u>\$ 3,350,504</u>
Total public safety	<u>\$ 11,460,895</u>	<u>\$ 15,219,458</u>	<u>\$ 12,705,308</u>	<u>\$ 2,514,150</u>
Public works:				
Maintenance of general buildings and grounds:				
General properties	<u>\$ 1,241,442</u>	<u>\$ 1,243,192</u>	<u>\$ 884,772</u>	<u>\$ 358,420</u>
Health and welfare:				
Health:				
Local health department	<u>\$ 537,911</u>	<u>\$ 537,911</u>	<u>\$ 533,273</u>	<u>\$ 4,638</u>
Behavioral Health and Development Services:				
Mental health	<u>\$ 255,205</u>	<u>\$ 255,205</u>	<u>\$ 255,205</u>	<u>\$ -</u>
Welfare:				
Welfare administration	\$ 9,471,477	\$ 9,481,477	\$ 9,366,327	\$ 115,150
Property tax relief	-	-	391,933	(391,933)
Comprehensive Services Act	2,656,601	2,656,601	2,074,728	581,873
Youth Service Board	83,800	83,800	83,800	-
Lonesome Pine Office on Youth	23,014	23,014	23,014	-
Total welfare	<u>\$ 12,234,892</u>	<u>\$ 12,244,892</u>	<u>\$ 11,939,802</u>	<u>\$ 305,090</u>
Total health and welfare	<u>\$ 13,028,008</u>	<u>\$ 13,038,008</u>	<u>\$ 12,728,280</u>	<u>\$ 309,728</u>
Education:				
Other instructional costs:				
Contribution to School Board	\$ 15,500,268	\$ 16,591,652	\$ 15,475,970	\$ 1,115,682
Contribution to Community College	54,556	54,556	54,556	-
Total education	<u>\$ 15,554,824</u>	<u>\$ 16,646,208</u>	<u>\$ 15,530,526</u>	<u>\$ 1,115,682</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation Authority	<u>\$ 63,000</u>	<u>\$ 63,000</u>	<u>\$ 45,000</u>	<u>\$ 18,000</u>
Cultural enrichment:				
Cultural organizations	<u>\$ 101,235</u>	<u>\$ 101,235</u>	<u>\$ 66,105</u>	<u>\$ 35,130</u>
Library:				
Regional library	<u>\$ 802,170</u>	<u>\$ 808,004</u>	<u>\$ 808,004</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 966,405</u>	<u>\$ 972,239</u>	<u>\$ 919,109</u>	<u>\$ 53,130</u>
Community development:				
Planning and community development:				
Economic development	\$ 176,807	\$ 225,347	\$ 197,696	\$ 27,651
Community development	124,512	134,512	184,084	(49,572)
Contribution to Housing Authority	10,000	10,000	10,000	-
Contribution to Cumberland Airport Commission	107,500	107,500	107,500	-
Contribution to LENOWISCO	66,684	66,684	66,684	-
Planning Commission	6,500	6,500	4,300	2,200
Community Project- Transient Occupancy	57,500	66,047	46,849	19,198
Software Engineering Initiative	13,000	13,000	1,000	12,000
Technology Initiative	15,000	15,000	-	15,000
Contribution to Industrial Development Authority	10,000	10,000	10,000	-
Total planning and community development	<u>\$ 587,503</u>	<u>\$ 654,590</u>	<u>\$ 628,113</u>	<u>\$ 26,477</u>

County of Wise, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Community development: (Continued)				
Cooperative extension program:				
Virginia Tech Extension Office	\$ 136,645	\$ 156,745	\$ 99,324	\$ 57,421
Total community development	\$ 724,148	\$ 811,335	\$ 727,437	\$ 83,898
Nondepartmental:				
Nondepartmental	\$ 52,589	\$ 76,082	\$ 87,243	\$ (11,161)
Debt service:				
Principal retirement	\$ 1,878	\$ 1,878	\$ 51,380	\$ (49,502)
Bond issuance costs	-	-	42,477	(42,477)
Total debt service	\$ 1,878	\$ 1,878	\$ 93,857	\$ (91,979)
Total General Fund	\$ 50,516,081	\$ 55,591,032	\$ 50,818,088	\$ 4,772,944
<b>Special Revenue Funds:</b>				
<b>Coal Road Improvement Fund:</b>				
Public Works:				
Maintenance of Highways, Streets, Bridges, and Sidewalks:				
Coal road projects	\$ 315,000	\$ 315,000	\$ 222,177	\$ 92,823
Community Development:				
Planning and community development:				
Distribution to Towns	\$ 140,000	\$ 140,000	\$ 181,516	\$ (41,516)
Community development	245,000	245,000	317,654	(72,654)
Total planning and community development	\$ 385,000	\$ 385,000	\$ 499,170	\$ (114,170)
Total community development	\$ 385,000	\$ 385,000	\$ 499,170	\$ (114,170)
Total Coal Road Improvement Fund	\$ 700,000	\$ 700,000	\$ 721,347	\$ (21,347)
<b>Forfeited Assets Fund:</b>				
Public safety:				
Law enforcement and traffic control:				
Sheriff - law enforcement	\$ 125,000	\$ 128,000	\$ 96,921	\$ 31,079
Total Forfeited Asset Fund	\$ 125,000	\$ 128,000	\$ 96,921	\$ 31,079
<b>Nonmajor Capital Projects Funds:</b>				
<b>Capital Projects Fund:</b>				
Capital Projects:				
Capital projects:				
Community Development	\$ 1,261,417	\$ 2,694,642	\$ 1,502,035	\$ 1,192,607
Total Capital Projects Fund	\$ 1,261,417	\$ 2,694,642	\$ 1,502,035	\$ 1,192,607
Total Primary Government	\$ 52,602,498	\$ 59,113,674	\$ 53,138,391	\$ 5,975,283

County of Wise, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board</b>				
<b>School Operating Fund:</b>				
Education:				
Administration of schools:				
Administration and health services	\$ 2,716,100	\$ 2,716,100	\$ 2,715,768	\$ 332
Instruction costs:				
Instructional costs	\$ 42,750,319	\$ 42,750,319	\$ 42,522,349	\$ 227,970
Technology	1,719,400	1,719,400	1,772,654	(53,254)
Total instruction costs	\$ 44,469,719	\$ 44,469,719	\$ 44,295,003	\$ 174,716
Operating costs:				
Pupil transportation	\$ 3,392,600	\$ 3,392,600	\$ 3,378,936	\$ 13,664
Operation and maintenance of school plant	5,994,447	5,994,447	6,612,114	(617,667)
Total operating costs	\$ 9,387,047	\$ 9,387,047	\$ 9,991,050	\$ (604,003)
Total education	\$ 56,572,866	\$ 56,572,866	\$ 57,001,821	\$ (428,955)
Debt service:				
Principal retirement	\$ 1,880,000	\$ 1,880,000	\$ 16,779,317	\$ (14,899,317)
Bond issuance costs	-	-	409,387	(409,387)
Interest and other fiscal charges	115,321	115,321	2,606,874	(2,491,553)
Total debt service	\$ 1,995,321	\$ 1,995,321	\$ 19,795,578	\$ (17,800,257)
Total School Operating Fund	\$ 58,568,187	\$ 58,568,187	\$ 76,797,399	\$ (18,229,212)
<b>School Cafeteria Fund:</b>				
Education:				
School food services:				
Administration of school food program	\$ 2,916,930	\$ 2,916,930	\$ 3,046,081	\$ (129,151)
Total School Cafeteria Fund	\$ 2,916,930	\$ 2,916,930	\$ 3,046,081	\$ (129,151)
<b>School Capital Projects Fund:</b>				
Capital projects:				
School improvements	\$ 150,000	\$ 150,000	\$ 126,905	\$ 23,095
Total School Capital Projects Fund	\$ 150,000	\$ 150,000	\$ 126,905	\$ 23,095
Total Discretely Presented Component Unit - School Board	\$ 61,635,117	\$ 61,635,117	\$ 79,970,385	\$ (18,335,268)

## **OTHER STATISTICAL INFORMATION**

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Landfill	Sewer	Total
2019-20	\$ 2,957,136	\$ 3,514,730	\$ 11,607,368	\$ 1,354,630	\$ 12,722,714	\$ 12,427,899	\$ 963,477	\$ 2,735,920	\$ 2,736,556	\$ 3,503,296	\$ 640,600	\$ 55,164,326
2018-19	3,177,209	3,059,783	10,602,502	1,347,697	11,600,611	12,523,405	956,101	3,151,793	2,310,715	3,448,988	640,255	52,819,059
2017-18	3,199,538	2,994,850	10,368,554	1,213,476	10,837,850	12,139,102	954,346	2,764,056	2,366,473	3,338,361	640,201	50,816,807
2016-17	3,515,659	2,864,928	9,877,567	1,270,770	10,836,164	12,365,676	958,367	4,470,285	2,430,958	1,633,053	642,461	50,865,888
2015-16	2,860,095	2,610,691	9,786,433	1,312,160	10,168,893	12,576,685	960,030	3,653,709	2,527,285	3,691,980	654,744	50,802,705
2014-15	2,751,264	2,865,850	10,012,966	2,124,587	10,961,298	13,878,690	958,043	4,693,677	2,317,504	3,730,221	583,948	54,878,048
2013-14	3,000,826	2,769,871	9,700,296	2,619,880	10,961,298	18,185,662	1,024,785	4,455,867	793,150	3,998,594	597,251	58,107,480
2012-13	2,513,670	2,917,968	9,558,466	1,379,473	13,967,744	17,014,461	1,050,295	7,652,569	723,949	3,856,656	299,792	60,935,043
2011-12	3,189,330	2,955,941	8,033,901	1,380,443	14,372,186	16,628,227	1,030,994	10,917,533	183,724	3,856,963	277,990	62,827,232
2010-11	3,374,197	2,716,081	8,250,120	968,626	13,988,102	15,496,497	938,174	14,042,957	196,450	4,305,943	366,436	64,643,583

Table 2

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES								Gain (Loss) on disposal of Capital Assets	Total
	Charges for Services	Operating Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions					
								Not Restricted to Specific Programs					
2019-20	\$ 576,553	\$ 18,237,114	\$	\$ 28,169,580	\$ 5,555,965	\$ 564,199	\$ 352,086	\$ 2,567,104	\$	-	\$	56,022,601	
2018-19	565,377	18,426,885		28,312,695	5,840,209	586,953	449,369	2,596,777		-		56,778,265	
2017-18	563,324	16,509,679		27,204,950	5,141,459	194,816	283,444	2,673,735		-		52,571,407	
2016-17	595,556	16,720,043		26,728,694	5,037,746	213,113	373,884	2,672,630		-		52,341,666	
2015-16	619,667	14,811,290		32,254,084	5,570,865	157,597	495,169	2,690,261		-		56,598,933	
2014-15	601,008	14,144,688		28,854,059	6,883,053	128,728	223,044	2,714,740		-		53,549,320	
2013-14	1,239,369	14,643,641		27,604,620	8,173,503	194,916	171,736	2,749,240		-		54,777,025	
2012-13	1,114,258	13,711,562		25,491,426	10,143,685	356,140	171,280	6,167,096		-		57,155,447	
2011-12	1,182,154	13,268,121		26,638,980	16,737,347	423,101	633,049	7,215,291		-		66,098,043	
2010-11	1,143,986	15,764,232		23,473,279	18,476,831	686,825	754,500	6,176,531		-		66,476,184	



Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Capital Projects	Non-departmental	Debt Service	Total
2019-20	\$ 3,475,972	\$ 3,665,584	\$ 12,802,229	\$ 1,106,949	\$ 12,728,280	\$ 60,216,163	\$ 919,109	\$ 1,226,607	\$ -	\$ 87,243	\$ 19,480,048	\$ 115,708,184
2018-19	3,285,105	3,441,676	11,137,520	1,105,460	11,875,631	59,578,059	911,401	1,420,980	-	79,223	3,842,504	96,677,559
2017-18	3,778,223	3,416,029	10,751,727	1,034,137	11,201,751	56,929,904	909,574	1,901,280	-	53,370	7,666,922	97,642,917
2016-17	3,519,972	3,097,648	10,213,833	983,523	10,954,895	56,309,363	912,816	3,064,163	-	37,956	3,436,914	92,531,083
2015-16	3,146,419	3,019,965	9,877,258	1,055,334	10,569,884	57,410,224	914,479	3,503,080	-	60,434	3,676,266	93,233,343
2014-15	3,285,764	3,074,056	9,576,684	2,077,283	11,029,381	57,715,704	912,492	3,682,521	-	57,579	3,486,386	94,897,850
2013-14	3,081,896	2,940,326	9,426,268	2,519,806	10,837,444	80,413,534	990,679	4,439,420	3,888	-	19,059,349	133,712,610
2012-13	3,085,457	2,879,973	9,419,726	3,269,650	13,910,634	63,144,019	1,017,808	7,033,875	27,096	-	19,732,283	123,520,521
2011-12	3,049,267	2,958,240	8,224,502	1,593,160	14,389,802	68,732,735	1,003,598	10,912,901	67,857	-	687,471	111,619,533
2010-11	3,279,988	2,715,362	8,220,283	852,349	13,994,945	63,341,364	895,284	14,043,807	75,140	-	737,911	108,156,433

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit-School Board. Excludes Capital Projects fund.

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

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter- governmental (2)	Total
2019-20	\$ 28,400,564	\$ 5,555,965	\$ 25,580	\$ 53,859	\$ 497,324	\$ 571,893	\$ 320,606	\$ 2,885,749	\$ 66,995,081	\$ 105,306,621
2018-19	27,719,402	5,840,209	33,062	50,648	582,617	675,521	723,384	1,866,631	67,091,845	104,583,319
2017-18	28,257,744	5,141,459	32,224	51,381	168,213	742,898	481,650	2,342,583	63,408,132	100,626,284
2016-17	25,809,760	5,037,746	40,627	33,510	185,173	916,476	287,399	2,280,388	61,379,322	95,970,401
2015-16	30,520,943	5,570,865	67,852	45,052	138,691	1,026,242	528,163	3,878,644	60,314,143	102,090,595
2014-15	28,731,239	6,883,053	35,717	51,141	126,847	1,079,470	2,363,457	3,113,965	59,886,528	102,271,417
2013-14	27,259,792	8,173,503	52,913	106,243	237,308	1,357,273	819,939	478,379	61,156,088	99,641,438
2012-13	24,182,703	10,143,685	34,091	116,480	372,688	1,299,770	488,317	816,163	64,383,078	101,836,975
2011-12	25,862,730	16,753,643	58,453	66,934	444,372	1,708,891	1,046,635	312,202	65,331,850	111,585,710
2010-11	21,869,359	18,427,933	55,621	29,023	724,632	1,485,405	689,093	417,114	67,340,209	111,038,389

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit-School Board. Excludes Capital Projects fund.

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

Table 5

**County of Wise, Virginia**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years (3)**

Fiscal Year	Total Tax Levy (1,2)	Current Tax Collections (1,2)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections (2)	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1), (3)	Percent of Delinquent Taxes to Tax Levy
2019-20	\$ 30,654,989	\$ 28,047,167	91.49%	\$ 1,443,922	\$ 29,491,089	96.20%	\$ 5,057,333	16.50%
2018-19	29,777,017	27,207,956	91.37%	1,539,804	28,747,760	96.54%	5,478,012	18.40%
2017-18	28,208,775	25,812,255	91.50%	3,243,919	29,056,174	103.00%	4,713,100	16.71%
2016-17	27,902,652	25,405,674	91.05%	1,456,012	26,861,686	96.27%	5,589,033	20.03%
2015-16	32,710,717	30,332,337	92.73%	1,192,584	31,524,921	96.37%	4,770,122	14.58%
2014-15	29,575,091	28,696,533	97.03%	925,793	29,622,326	100.16%	3,196,436	10.81%
2013-14	27,668,374	26,671,809	96.40%	203,205	26,875,014	97.13%	3,125,435	11.30%
2012-13	25,969,822	25,101,645	96.66%	357,581	25,459,226	98.03%	2,604,089	10.03%
2011-12	25,696,491	24,973,016	97.18%	421,499	25,394,515	98.82%	-	0.00%
2010-11	20,644,079	19,660,958	95.24%	507,100	20,168,058	97.69%	-	0.00%

(1) Exclusive of penalties and interest.

(2) Includes amount received under the Personal Property Tax Relief Act.

(3) Only 6 years available.

Table 6

County of Wise, Virginia  
Assessed Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property	Machinery				Public Service (2)	Total
			and Tools	Merchant's Capital	Mobile Homes			
2019-20	\$ 1,891,090,438	\$ 395,654,918	\$ 41,853,105	\$ 28,878,600	\$ 28,930,713	\$ 1,403,610,614	\$ 3,790,018,388	
2018-19	1,886,469,691	397,045,693	51,983,545	28,338,431	28,252,703	1,431,399,061	3,823,489,124	
2017-18	1,881,275,247	419,166,849	53,805,715	28,638,275	34,457,077	1,439,558,790	3,856,901,953	
2016-17	1,866,684,682	403,135,802	75,302,775	29,753,723	34,442,807	1,461,492,404	3,870,812,193	
2015-16	1,856,050,530	408,020,785	122,528,345	32,109,973	34,320,660	2,180,583,683	4,633,613,976	
2014-15	1,882,864,270	427,550,149	184,405,660	34,551,733	33,849,030	1,358,254,710	3,921,475,552	
2013-14	1,947,361,669	400,495,555	244,969,850	34,979,151	40,491,360	1,430,798,105	4,099,095,690	
2012-13	2,035,910,348	416,493,632	279,241,765	35,960,355	40,456,220	582,525,325	3,390,587,645	
2011-12	1,783,287,784	414,733,423	305,819,130	35,346,281	41,181,520	590,253,866	3,170,622,004	
2010-11	1,741,463,965	370,590,217	257,961,483	32,586,054	39,163,119	112,093,168	2,553,858,006	

(1) Real estate is assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission-includes all property types.

Table 7

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

Fiscal Year		Real Estate		Personal Property		Machinery & Tools		Merchant's Capital		Mobile Homes
2019-20	\$	0.62/0.69	\$	1.65	\$	1.41	\$	2.85	\$	0.69
2018-19		0.62/0.69		1.58		1.41		2.85		0.62
2017-18		0.60/0.62		1.56		1.41		2.85		0.60
2016-17		0.60		1.56		1.41		2.85		0.60
2015-16		0.60		1.56		1.41		2.85		0.60
2014-15		0.60		1.56		1.41		2.85		0.60
2013-14		0.60		1.56		1.41		2.85		0.60
2012-13		0.57		1.49		1.41		2.85		0.57
2011-12		0.57		1.49		1.41		2.85		0.57
2010-11		0.57		1.49		1.15		2.85		0.57

(1) Per \$100 of assessed value.

Table 8

**County 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) (2)	Gross Bonded Debt (3)	Less:	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Service Monies Available			
2019-20	41,452	\$ 3,790,018	\$ 50,063,003	\$ -	\$ 50,063,003	1.32%	\$ 1,208
2018-19	41,452	3,823,489	52,443,003	-	52,443,003	1.37%	1,265
2017-18	41,452	3,856,902	55,147,832	-	55,147,832	1.43%	1,330
2016-17	41,452	3,870,812	57,001,603	-	57,001,603	1.47%	1,375
2015-16	41,452	4,633,614	56,508,003	-	56,508,003	1.22%	1,363
2014-15	41,452	4,099,096	57,354,743	-	57,354,743	1.40%	1,384
2013-14	41,452	3,390,588	60,458,615	-	60,458,615	1.78%	1,459
2012-13	41,452	3,390,588	61,891,570	-	61,891,570	1.83%	1,493
2011-12	41,452	3,170,622	60,166,155	-	60,166,155	1.90%	1,451
2010-11	41,452	2,553,858	15,605,695	-	15,605,695	0.61%	376

(1) Bureau of the Census.

(2) Real property assessed at 100% of fair market value.

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

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

Table 9

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

Fiscal Year	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2019-20	\$ 19,480,048	\$ 115,708,184	16.84%
2018-19	3,842,504	\$ 96,677,559	3.97%
2017-18	7,666,922	97,642,917	7.85%
2016-17	3,436,914	92,531,083	3.71%
2015-16 (2)	3,676,266	93,233,343	3.94%
2014-15	3,486,386	94,897,850	3.67%
2013-14 (2)	4,359,349	133,712,610	3.26%
2012-13 (2)	5,732,283	123,520,521	4.64%
2011-12	687,471	111,619,533	0.62%
2010-11	737,911	108,156,433	0.68%

(1) Includes all governmental funds of the Primary Government and Special Revenue funds of the Discretely Presented Component Unit-School Board.

(2) Excludes refunding debt service.

Table 10

**County of Wise, Virginia**  
**Schedule of Legal Debt Margin**  
**For the Year Ended June 30, 2020**

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Legal Debt Limit		
10% of Assessed Value of Taxable Real Estate (Including public utility real estate)	\$	329,446,147
Less: Net bonded debt		<u>(50,063,003)</u>
Legal margin for creation of additional debt	\$	279,383,144



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## COMPLIANCE SECTION

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

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

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**To the Honorable Members of  
the Board of Supervisors  
County of Wise, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit-School Board, each major fund, and the aggregate remaining fund information of the County of Wise, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County of Wise, Virginia's basic financial statements, and have issued our report thereon dated March 1, 2021. Our report includes a reference to other auditors who audited the financial statements of the Public Service Authority (PSA) and the Industrial Development Authority (IDA), as described in our report on the County of Wise, Virginia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **County of Wise, Virginia's Response to Finding**

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

### **Purpose of this Report**

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

*Robinson, Farmer, Cox, Associates*  
Blacksburg, Virginia  
March 1, 2021



ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

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

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**To the Honorable Members of  
the Board of Supervisors  
County of Wise, Virginia**

**Report on Compliance for Each Major Federal Program**

We have audited the County 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 County of Wise, Virginia's major federal programs for the year ended June 30, 2020. The County of Wise, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

County of Wise, Virginia's basic financial statements include the operations of the Wise County Public Service Authority, which expended \$946,274 in federal awards which is not included in the County of Wise, Virginia's schedule of expenditures of federal awards during the year ended June 30, 2020. Our audit, described below, did not include the operations of the Wise County Public Service Authority because the component unit engaged other auditors to perform an audit of compliance.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

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

In our opinion, the County 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, 2020.

### **Report on Internal Control over Compliance**

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

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

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

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

*Robinson, Jarmon, Cox, Associates*  
Blacksburg, Virginia  
March 1, 2021

County of Wise, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2020

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families Program	93.556	0950118, 0950119	\$ 47,092
Temporary Assistance for Needy Families	93.558	0400119, 0400120	626,166
Refugee and Entrant Assistance - State/Replacement Designee Administered Programs	93.566	0500119, 0500120	865
Low-Income Home Energy Assistance	93.568	0600419, 0600420	114,924
CCDF Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760119, 0760120	113,202
Chafee Education and Training Vouchers Program	93.599	9160118, 9160119	1,168
Adoption and Legal Guardianship Incentive Payments	93.603	1130116, 1130117	2,709
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900118, 0900119	1,548
Foster Care - Title IV-E	93.658	1100119, 1110119	697,343
Adoption Assistance	93.659	1120119, 1120120	1,252,331
Social Services Block Grant	93.667	1000119, 1000120	641,695
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150118, 9150119	13,615
Children's Health Insurance Program	93.767	0540119, 0540120	13,516
Medicaid Cluster:			
Medical Assistance Program	93.778	1200119, 1200120	829,711
Total Department of Health and Human Services			\$ 4,355,885
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Virginia Department of Agriculture & Consumer Services:			
Food Distribution-Schools (Note C)	10.555	Not applicable	\$ 216,495
Department of Education:			
COVID-19 - National School Lunch Program	10.555	40264	112,926
National School Lunch Program	10.555	40254	1,324,841
			\$ 1,654,262
Virginia Department of Agriculture & Consumer Services:			
Summer Food Service Program for Children (Note C)	10.559	Not applicable	\$ 4,251
Department of Education:			
COVID-19 - Summer Food Service Program for Children	10.559	60175, 60176	292,491
Summer Food Service Program for Children	10.559	60302, 60303	39,243
			335,985
COVID-19 - School Breakfast Program	10.553	40263	\$ 37,945
School Breakfast Program	10.553	40253	458,995
			496,940
			\$ 2,487,187
Department of Education:			
Forest Service Schools and Roads Cluster:			
Schools and Roads - Grants to States	10.665	43841	51,395
Department of Social Services:			
SNAP Cluster:			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	0010119, 0010120, 0040119, 0040120	793,526
Total Department of Agriculture			\$ 3,332,108
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	Not available	\$ 1,055,665
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Violence Against Women Formula Grants	16.588	U3131VA18	\$ 31,188
Crime Victim Assistance	16.575	W9583VW18	84,197
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Not available	59,150
Total Department of Justice			\$ 174,535
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	154AL 20 50256	\$ 8,772
Highway Safety Cluster:			
National Priority Safety Programs	20.616	M6OT 19 59229	23,270
Total Department of Transportation			\$ 32,042

County of Wise, Virginia  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2020

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Treasury: Pass Through Payments: Department of Accounts: COVID-19 - Coronavirus Relief Fund	21.019	SLT0022	\$ 424,172
Environmental Protection Agency: Direct Payments: Department of Conservation and Recreation Brownsfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818	Not applicable	\$ 131,376
Department of Education: Pass Through Payments: Department of Education: Adult Education - Basic Grants to States Title I Grants to Local Educational Agencies Special Education Cluster (IDEA): Special Education: Grants to States Special Education: Preschool Grants Career and Technical Education Basic Grants to States Student Support and Academic Enrichment Program Rural Education Supporting Effective Instruction State Grant Preschool Development Grants	84.002 84.010  84.027 84.173 84.048 84.424 84.358 84.367 84.419	42801, 61111 42901  43071 62521 61095, 61159 60281 43481 61480 40259	\$ 252,049 1,979,579  \$ 1,461,115 42,571 1,503,686 186,522 142,325 87,980 37,715 12,232
Total Department of Education			\$ 4,202,088
Department of Homeland Security: Pass Through Payments: Department of Emergency Management: Emergency Management Performance Grants Homeland Security Grant Program	97.042 97.067	6274400, 6274500 EMW-2017-SS-00088	\$ 10,750 222,303
Total Department of Homeland Security			\$ 233,053
Total Expenditures of Federal Awards			\$ 13,940,924

Note A -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Wise County, Virginia under programs of the federal government for the year ended June 30, 2020. 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). Because the Schedule presents only a selected portion of the operations of the County of Wise, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Wise, Virginia.

Note B -- Summary of Significant Accounting Policies

- Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- Pass-through entity identifying numbers are presented where available.
- The County did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note C -- Food Donation:

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, The Wise County School Board had no food commodities in inventory.

Note D -- Subrecipients:

No awards were passed through to subrecipients.

Note E -- Outstanding Balance of Federal Loans:

The County did not have any loans or loan guarantees which are subject to reporting requirements for the current year.

Note F -- Relationship to Financial Statements:

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

Primary government:	
General Fund	\$ 6,107,533
Capital Projects Fund	1,187,041
Less: Payment in lieu of taxes	(94,320)
Total primary government:	\$ 7,200,254
Component Unit School Board:	
School Operating Fund	\$ 4,855,715
School Cafeteria Fund	2,487,187
Less: QSCB interest subsidy	(602,232)
Total component unit school board:	\$ 6,740,670
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 13,940,924

County of Wise, Virginia

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2020

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Section I - Summary of Auditors' Results

**Financial Statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

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

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawai
21.019	COVID-19 - Coronavirus Relief Funds
93.658	Foster Care - Title IV-E
84.027/84.173	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
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Auditee qualified as low-risk auditee?	No
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**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2020**

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**Section II - Financial Statement Findings**

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**2020-001**

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Criteria:	Per auditing standards, an auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards.
Condition:	Trial balances as presented for audit did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, there were proposed adjustments that were material to the financial statements.
Cause of Condition:	There was an inadequate review of source documents, and as a result, management failed to identify and record the necessary adjustments. Staff availability is limited and there is not adequate time to devote to compiling modified and full accrual financial statement information.
Effect of Condition:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected by the internal controls over financial reporting.
Recommendation:	The County and School Board should review the proposed audit adjustments and incorporate same in the next year's financial statements presented for audit.
Management's Response:	Management agrees with this finding and will continue to work toward having the trial balances more complete and ready for the audit process.

There are no reported financial statement findings.

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

There are no federal award findings or questioned costs.

County of Wise, Virginia

Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2020

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2019-001

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This finding is repeated in the current year as 2020-001.