

AUDIT REPORT

JUNE 30, 2010

**TOWN OF WISE, VIRGINIA
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JUNE 30, 2010**

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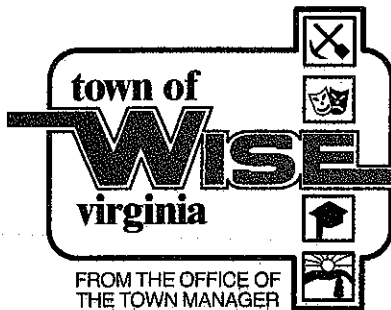
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INTRODUCTORY SECTION



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

Letter of Transmittal

November 30, 2010

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

I am pleased to present the Comprehensive Annual Financial Report of the Town of Wise, Virginia, for the fiscal year ended June 30, 2010. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. I believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Town as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the Town's financial affairs have been included.

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

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

BUDGETARY CONTROLS

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

As a recipient of federal and state financial assistance, the Town is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations. The audit for the fiscal year ended June 30, 2010 has been completed and no material internal control weaknesses or material violations of laws and regulations have been found.

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

THE REPORTING ENTITY AND ITS SERVICES

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

Local Economy

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

Based on available economic data, trends for the local economy have remained the same as previous fiscal year. The local unemployment rate for September 30, 2010 was 7% which is the same as the prior year of 7%, but exceeds the Commonwealth of Virginia by .50%. However, the local unemployment rate compares favorably to the national rate of 9.20% for September.

MAJOR INITIATIVES FOR FISCAL YEAR 2010

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

Government Administration

On June 23, 2009, the Wise Town Council adopted a General Fund budget for FY 2010 totaling nearly \$6.6 million Said budget set forth a financial plan for the Town as well as a general work program for the year. Included in the budget was a projected increase in real estate tax collections of \$60,000 as a result of Wise County's general reassessment which increased the value of real property in the Town by 21%

Government Administration (Continued)

over the previous year. The Town opted to retain its real estate tax rate of .245/\$100 of assessed value. The lowered rate necessary to produce the same level of taxes as the previous year would have been .20/\$100 of assessed value. In conjunction with the reassessment, Town Council adopted provisions increasing tax relief available to the elderly and the disabled. Specifically, the eligibility requirements for applicants for tax exemptions were amended to increase the maximum income and net worth allowances.

Solid waste collection fees have remained unchanged in the Town for well over twenty-five years. In order to begin addressing serious deficiencies in this program which requires subsidy from tax revenues, in FY 2010, the Town increased residential fees 28% and commercial fees 33%. Even with these increases, the Town's solid waste collection rates remain among the lowest in the region. Additional increases are anticipated for the coming years.

In a "down" economy, a new cottage industry emerged in Wise associated with the purchase of second hand jewelry, etc. An ordinance regulating dealers of precious metals and gems was amended to bring the Town into compliance with the provisions of the Code of Virginia and to provide a more effective framework for monitoring of these activities.

November of 2009, Council authorized the purchase of eleven acres in Wise as a site for a future public works complex. Current facilities are located on a very small lot on Yellow Creek Road. The buildings themselves are antiquated and the electrical and communications systems are maxed out. Storage is limited and numerous structural deficiencies exist. With this purchase, the Town began work on the planning and financing for this capital project.

In December of 2009, the Town's water and sewer systems grew with conveyance to the Town of privately financed water and sewer improvements in Phase III of Bear Creek Subdivision. In December, the Town also accepted conveyances of privately financed water and sewer improvements for Phase III of Mountain Meadows Subdivision in Wise County.

Seeking new and innovative ways to connect people, information, and ideas, the Town launched a new community information service in partnership with Nixle to deliver important and timely information to residents using the latest technology. This service provides public safety and community event notifications, neighborhood advisories and other valuable information instantly by cell phone text message, email, and web to registered subscribers. To register or to learn more about this free service, visit www.nixle.com.

Social media is the perfect vehicle for local governments helping to build community, improve government transparency, and develop connections with citizens. In an effort to engage citizens through social media the Town has established a Facebook page to announce special events. It may be accessed at www.facebook.com/pages/Wise-VA/Town-Of-Wise-Special-Events.

The Treasurer's office remains vigilant in the collection of delinquent taxes and fees. Tools utilized include participation in the Virginia Department of Taxation's Debt Set-Off Program, the Virginia Department of Motor Vehicle Registration Withholding Program, bank and wage liens, skip tracing, and the issuance of warrants-in-debt. On-line access is used for Virginia Employment Commission employment and wage records. As a result, this fiscal year, the Treasurer's office collected 94.61% of the current tax levy.

The Town supports a number of charitable institutions, volunteer, and nonprofit organizations which serve residents. Most notable, during Fiscal Year 2010, just over \$130,000 was provided to support the

Government Administration (Continued)

operation of the Wise Volunteer Fire Department, \$11,450 for the Lonesome Pine Regional Library, \$4,000 for the Cumberland Airport Commission, \$9,150 for Pro-Art, \$20,000 for the Wise Rescue Squad, \$1,850 for the Library Art Gallery, and \$5,000 for Appalachian Children's Theatre. In addition, the Town contributed \$5,000 for expenses associated with the Remote Area Medical (RAM) Project and \$1,000 for the Health Wagon. The Town also supports the fund-raising activities of the Wise County/City of Norton Chamber of Commerce and the Town provided a donation of \$1,000 to the Lonesome Pine EAA to assist with expenses associated with bringing a flying history museum to Wise as part of the Spirit of Freedom 2009 Tour.

The region's deep roots in mountain traditions and its strong music heritage are gaining popularity. To build on this cultural resource, the Town continued its financial support of "The Crooked Road – Virginia's Heritage Music Trail" with a \$4,000 contribution. It is hoped that this initiative will enhance recognition of the area as a viable tourism destination. Town Council also approved a donation of \$500 to 'Round the Mountain, a regional craft and artisan's advocacy organization.

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

Law Enforcement

The Wise Police Department works to provide professional law enforcement services to the citizens of the Town of Wise. The Department is committed to community policing whereby the officer spends time in personal contact with residents and business owners. The Department also provides on-demand crime prevention programs to citizens and organizations, and continues to sponsor the Wise Explorer Post Program.

In January of 2010, the Department was awarded a \$50,000 grant from the US Department of Agriculture's Rural Development Office to assist in the purchase of a three new police cruisers. Child safety seats were purchased through a VA Department of Health grant and were distributed to the public. Five laptop computers and thirteen flashlights were acquired with a Byrne Justice Assistance Grant. A Speed Spy radar unit, three breath alcohol testing devices, and fifty reflective traffic cones were purchased with a grant from the Virginia Department of Motor Vehicles. In addition, the Virginia Department of Motor Vehicles funded over \$10,000 in officer overtime for the enforcement of speed, DUI, and seat belt laws.

In carrying out its various law enforcement functions this past year, the police department handled 27,651 requests for assistance. Calls ranged from reports of robbery, arson, juvenile crimes, traffic accidents, and family violence incidents, to requests for bank escorts, property checks, and disabled motorist assists.

Public Works

Much of the work performed by the Public Works Department involves routine maintenance. The utility crew answered 320 service calls during normal business hours and responded to 48 after hours call-outs. The Division also installed 91 new water and sewer taps and 1,872 feet of new water line. Over 4,800 feet of sewer line was filmed and tested, 10 manholes were repaired, 32 meters were replaced, 3 fire hydrants were repaired and 3 were replaced. Personnel also responded to 224 requests for location and marking of underground utilities. The Street Division performed routine town-wide preventive maintenance on storm drains in advance of and after all major rainstorms in order to reduce the severity of storm water problems. The crew also managed all snow and ice removal activities, operated a curbside vacuum leaf collection program from September through December, and carried out a weekly program of street cleaning for major thoroughfares. The Street Department performed routine maintenance for 27 miles of

Public Works (Continued)

roads, roadsides, and storm water systems. The Department is also responsible for the maintenance of many acres of municipal park property including Dotson Park, Arrowhead Park, the swim facility and the Wise Cemetery. The Department maintains the outdoor shelters, public restrooms, playground equipment, fencing, and trash receptacles. In addition, the Department mows and maintains the sites, waters all plantings in the central business district and gateways, and prunes trees and vegetation from all town right-of-way.

In response to mounting concerns and frustrations associated with public school traffic, in the Fall of 2009 a number of street improvements were completed and a new traffic pattern was introduced on Railroad Avenue and School Ave between the primary and middle schools. A parking lot at LF Addington Middle School was enlarged, fencing was installed to control pedestrian and motorist access, signage was erected, on-street parking was eliminated, crosswalks were relocated, traffic was restricted to one-way movement in the morning and afternoon, and a law enforcement officer was posted at the school crosswalk. As a result, traffic delays were significantly reduced and safety concerns were addressed.

This year, the Street Department overlaid portions of eleven roads in an effort to repair damage associated with the weather, wear and tear, and utility cuts. Maintenance of coal haul routes during FY 09-10 included the pavement of a portion of Park Avenue and Washington Road SW. In the fall of 2009, the Town also completed a project to establish an "on street" parking area on Nottingham Ave between East Main Street and Church Street to improve convenience for patrons of Main Street establishments.

A four-person sanitation crew collected and transported over 3,900 tons of waste to Wise County's Blackwood Landfill in FY 2010. The crew also operated a residential recycling program consisting of collection of recyclables from five neighborhood drop centers. At the conclusion of FY 2010, over 55,000 pounds of recyclable material including glass, plastic, aluminum, and newsprint was diverted from the waste stream. In addition, 347 dump truck loads of yard waste was collected and chipped. To facilitate this work, a 1997 garbage truck was replaced with a new cab and chassis. The existing packer unit was remounted onto the new truck.

In order to facilitate the work of the Public Works Department, one new ten foot heavy duty hydraulic snow plow was purchased. This unit came in handy during a disastrous winter storm the week before Christmas. High winds downed power lines and trees throughout the entire region. This coupled with snow drifts in excess of three feet made roads impassable for days and many county residents were without power and water for weeks while temperatures dropped to the single digits. Throughout the storm and recovery period, the Town operated an emergency shelter for Wise, Pound, Coeburn & Wise County. Work associated with debris removal continued well into March and the Town Manager's office submitted an application for over \$70,000 in funding from federal and state authorities to help offset municipal expenses for eligible costs associated with recovery from this severe winter storm.

Planning and Community Development

The Town of Wise continues to be a commercial center for the county and the region. Within a 20-mile radius of Wise there are 91,470 persons and within a 30-mile radius there are 234,227 persons. As always, the Planning Department in conjunction with the Town Manager's office continues to assist businesses and individuals seeking to invest in Wise providing both information and services. Marketing Wise to prospective national and regional retailers is also part of the work performed. At the beginning of the year, Wise had 228 established businesses and during FY 09-10, 19 new businesses chose to locate in the Town. During FY 09-10, seven permits were issued for the construction of new residences. In addition, a site plan for the construction of a new parking lot at the Methodist Church was approved. Spring of 2010, Town Council approved a conditional use permit for the operation of a daycare and preschool at 411 East Main Street. The Planning Department has also worked to eliminate blight

Planning and Community Development (Continued)

throughout the Town through enforcement of the Uniform Property Maintenance Code, local mowing ordinances, and litter regulations. Five properties were cited for property maintenance code violations, two notices of zoning violations were issued, and twenty-two requests for mowing of property were sent.

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

This past year, special events became an integral part of a marketing strategy to attract customers and investors to Wise. A number of new events were sponsored and old favorites were expanded. In July, the Town partnered with the Wise County Historical Society to host its third three-day civil war re-enactment, The Battles at Wise. Activities included a soldier's ball, two battle re-enactments, a ladies tea, a presentation by "Abraham Lincoln", a dedication of the Wise Cemetery, and a living history presentation on civil war medicine, blacksmithing, and infantry life. The event included union and confederate encampments, settlers, and period clothing. August, the Town hosted a celebration of music and cars from the fifties and sixties at the Ridgeview Centre. "Guitars and Glasspacks" included a music concert and a cruise-in featuring over 250 classic cars. The Van-Dells headlined the event with a preshow by local favorites, Old, fat, & Sloe. Over two thousand people attended the event. In recognition of the importance of the College to this community, the Town manned a welcome booth during Convocation Day in August to welcome new and returning students, faculty, and staff. Informational literature and maps were distributed along with a free bag of complimentary items. Key staff members from various departments were on hand to answer questions.

Each October, the Planning Department and Public Works personnel work with the Wise Business Association to prepare for Wise County's Famous Fall Fling. The celebration features traditional mountain music and an arts and crafts festival. The Town provides security, traffic control, tent and stage set-up, garbage collection, and other logistical services. Town Council also provided a \$6,000 donation to assist with festival expenses. In December, the Town hosted a Christmas Tree Lighting and Dedication Ceremony for the Gateway Garden Project. An overflow crowd was present to celebrate the completion of the garden and to usher in the holiday season. The Gateway Garden Project includes a pedestrian plaza with circular stone bench height walls sidewalks, site furnishings, lighting, and raised plant beds. It serves as the primary crossroad for the Town and provides strong cue as to the unique identity and importance of the Town as a destination. Associated turning radius improvements from West Main Street onto Norton Road also enhance motorist safety and convenience. In conjunction with the tree lighting event, the Town launched a "Shop Local" campaign and contest to educate citizens about the importance of shopping locally and to provide incentives for consumers to shop locally. In April, the Town and the Wise Business Association sponsored, organized and promoted the Town's first annual Spring Fling. This event featured beach music provided by The Collegians. Local clubs, athletic teams, and restaurants operated concessions during the concert which was held immediately after The Great American Cleanup, a county-wide litter removal event. In the fall of 2009, the Town was awarded a Virginia Department of Housing and Community Development Community Improvement Grant to rehabilitate eight Main Street storefronts in the downtown project area. The purpose of the facade improvements program is to promote public/private investment in the rehabilitation of targeted properties within a defined revitalization project area. Goals to be accomplished include correction of building deficiencies and blighting influences that hinder positive growth, preservation of existing building stock, and enhancement of the overall

Planning and Community Development (Continued)

appearance of the central business district so as to attract people and new businesses to the area. The grant also funds, in part, Construction of The Big Glades Project. This community square will provide an amphitheatre for various outdoor performances and will serve as a venue for Crooked Road attractions. The site will also house a weekly farmer's market. In conjunction with these physical improvements, the Town also established a revolving microloan program to provide financial incentives to private property owners for the economic revitalization of businesses located in the project area to stimulate investment in businesses in order to help create and retain jobs and to provide for the needs of the community. The loan pool makes available adequate and affordable credit to existing or new businesses that locate or expand in the project area.

Parks and Recreation

The 2010 pool season began on May 29th and ended the week of August 22nd with almost 15,000 people visiting the facility during that time period. With good attendance, fees for services were sufficient to fund the costs of daily operations and maintenance.

During FY 2009-2010, the Town discontinued its sponsorship of a program of adult recreation services including co-ed volleyball in the fall and co-ed softball in the summer. However in response to overwhelming demand, the Town did commit to construct two additional youth soccer fields for the recreation complex. In the fall of 2009 a contract was awarded to Estes Brother Construction, Inc. to complete this work.

Prospects For The Future

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

The coal industry has been a victim of recent political and legislative actions. The current Clean Water Act Section 404 permitting process has effectively dismantled the coal industry in our area and along with it, rural jobs, energy production, and small business. Unless changes are forthcoming, this could have profound ramifications for our community. Taxes paid by the coal industry support local and state government and contribute to economic diversification of the coalfield region through various grant programs. Historically, the coal industry has also been a heavy supporter of nonprofit and charitable organizations that meet local human service needs. Given the state's sagging economy, the winding down of federal stimulus dollars, and rising costs to support education, retirement, and healthcare programs, local governments can expect more decreases in current state aid programs and additional shifting of new costs to localities. Unfortunately, there are few means to address anticipated reductions in state aid to localities associated with Virginia's budget shortfall. For the 2010-2011 Fiscal Year, Town Council has approved a General Fund Operating Budget of \$7.4 million. Despite alarming national trends, the Town's financial performance was solid for the fiscal year ending June 30, 2010 and Wise ended the year with a surplus.

Cash Management

Cash temporarily idle during the year was invested in time deposits and various authorized money market instruments. No funds were invested in the state investment pool due to concerns about the possible use of subprime investment instruments or securities collateralized by subprime mortgages, mortgage-backed securities, and impending foreclosures. The town's investment activities are designed to allow the Town to obtain the highest possible yield on available funds consistent with constraints imposed by safety objectives, cash flow considerations, and state laws restricting the placement of funds. The amount of interest earned for FY 10 was \$ 72,588. This is a decrease from interest earned on temporary investments in FY 09 which totaled \$113,461.

Risk Management

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

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 MD&A and should be read in conjunction with it. The Town 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 Town by independent certified public accountants selected by the Town Council. Information related to this audit, including the findings and recommendation, 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 is included in this report.

Acknowledgements

I would also like to thank the Town Council for their interest and support in planning and conducting the financial operation of the Town in a responsible and progressive manner.
Respectfully submitted,



Beverly C. Owens
Town Manager

MEMBERS OF COUNCIL

Caynor A. Smith, Jr., Mayor

Erra Sutherland, Vice-Mayor

Teresa H. Adkins

Luther D. Adkins

Clifton Carson

OTHER TOWN OFFICIALS

Town Manager

Beverly Owens

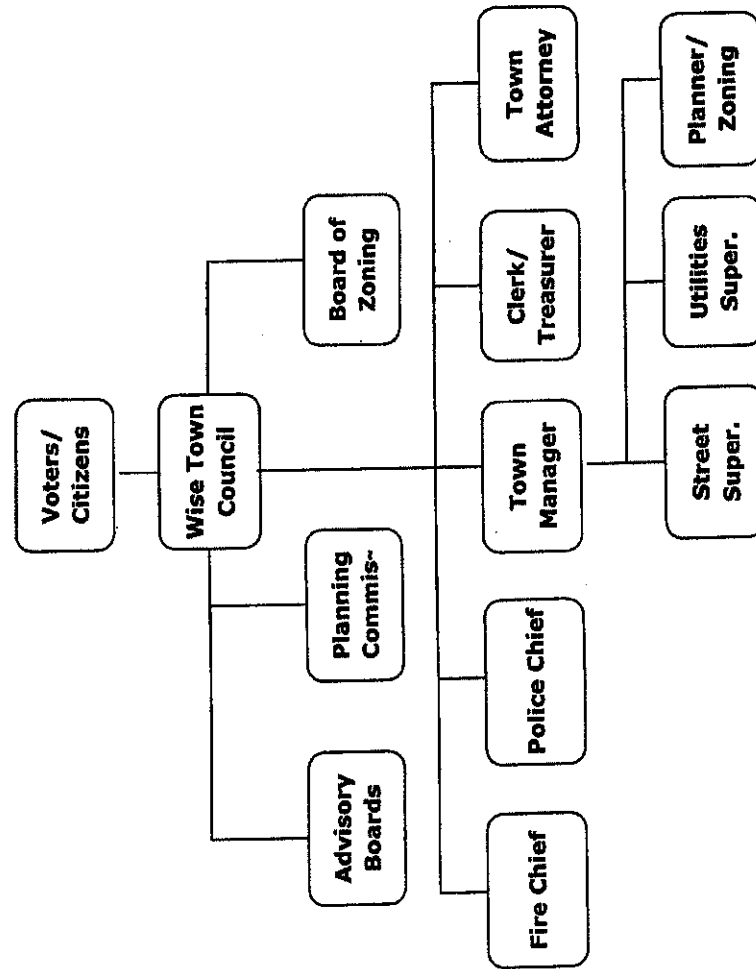
Town Treasurer

Robin Bryant

Chief of Police

Tony Bates

Town of Wise Organizational Chart



LARRY D. STURGILL, P. C.

LARRY D. STURGILL

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Council Members:

I have audited the accompanying financial statements of the governmental activity of the Town of Wise, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audit of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

The Honorable Members of Town Council
Town of Wise
Wise, Virginia 24293
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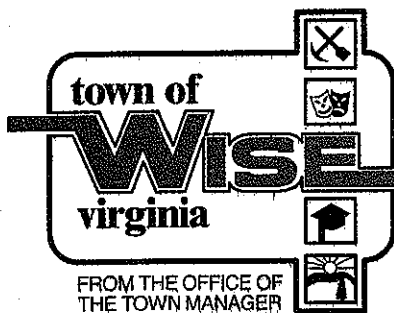
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activity and the business-type activity of the Town of Wise, Virginia, as of June 30, 2010 and the respective changes in financial position, and, where applicable, cash flows therefore for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 23, 2010, on my consideration of the Town of Wise, Virginia's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis on pages 3 through 8 and budgetary comparison information on pages 35 through 40, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.



Larry D. Sturgill
Certified Public Accountant
Wise, Virginia
November 23, 2010



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

November 30, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the Town of Wise, Virginia we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page i-iv of this report. All accounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$19,665,957 (net assets). Of this amount, \$4,663,741 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors from the general fund.

As of the close of the current fiscal year; the Town's general fund reported an ending fund balance of \$4,613,085, an increase of \$167,503 in comparison with the prior year. One hundred percent of this total amount is available for spending at the Town's discretion (unreserved fund balance).

At the end of the current fiscal year, unreserved fund balance for the general fund was \$4,613,085, or 127 percent of total general fund expenditures.

The Town of Wise, Virginia's total debt decreased by \$56,150 during the current fiscal year.

Overview of the Financial Statements

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

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

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

Government-Wide Financial Statements – The Government-wide financial statements are designed to provide readers with a broad overview of the Town's overall financial status, in a manner similar to a private-sector business.

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets exceeded liabilities by \$19,665,957 at the close of the most recent fiscal year.

The largest portion of the Town's net assets (74.34 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-wide Financial Analysis (Continued)

Town of Wise, Virginia's Net Assets

	<u>Primary Governmental Activities</u>	
<u>ASSETS:</u>	<u>2010</u>	<u>2009</u>
Current and Other Assets	\$ 5,275,640	\$ 5,100,623
Capital Assets	<u>15,281,448</u>	<u>14,833,311</u>
Total Assets	<u>20,557,088</u>	<u>19,933,934</u>
<u>LIABILITIES:</u>		
Long-Term Liabilities Outstanding	\$ 204,547	\$ 279,231
Current Liabilities	<u>686,584</u>	<u>584,975</u>
Total Liabilities	\$ 891,131	\$ 864,206
<u>NET ASSETS:</u>		
Invested in capital assets, net of related debt	\$15,002,216	\$14,481,690
Unrestricted	<u>4,663,741</u>	<u>4,588,038</u>
Total Net Assets	<u>\$19,665,957</u>	<u>\$19,069,728</u>
Total Liabilities and Net Assets	<u>\$20,557,088</u>	<u>\$19,933,934</u>

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

Government-Wide Financial Analysis (Continued)

Governmental Activities – Governmental activities increased the Town's net assets by \$585,231. Key elements of this increase are as follows:

Town of Wise, Virginia's Change in Net Assets		
	<u>Primary Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
REVENUES:		
Program revenues:		
Charges for services	\$ 290,139	\$ 252,195
Operating Grants and Contributions	769,721	547,003
General Revenues:		
Property Taxes	612,485	538,969
Other Local Taxes	2,107,939	2,051,460
Other	20,120	51,249
TOTAL REVENUES	<u>\$ 3,800,404</u>	<u>\$ 3,440,876</u>
EXPENSES:		
General Government	\$ 486,618	\$ 470,855
Public Safety	1,157,950	1,213,407
Public Works	1,149,626	1,051,147
Health and Welfare	7,881	6,230
Parks, Recreation and Culture	273,377	292,409
Community Development	130,663	103,337
Interest Expense	9,059	13,328
TOTAL EXPENSES	<u>\$ 3,215,174</u>	<u>\$ 3,150,714</u>
 Increase (decrease) in net assets	 \$ 585,231	 \$ 290,162
 Net Assets – June 30, 2009	 <u>12,086,555</u>	 <u>11,796,393</u>
Net Assets – June 30, 2010	<u>\$12,671,786</u>	<u>\$12,086,555</u>

Financial Analysis of the Town's Funds

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

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

At the end of the current fiscal year, the Town’s governmental fund reported an ending fund balance of \$4,613,085 an increase of \$167,503 in comparison with the prior year. One hundred percent of this total amount \$4,613,085 constitutes unreserved fund balance, which is available for spending at the Town’s discretion.

The general fund is the operating fund of the Town and the only governmental fund type. Unreserved fund balance represents 127 percent of total general fund expenditures.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget represented a \$2,000 increase in appropriations and can be briefly summarized as follows:

- \$2,000 decrease in public safety expenditures

These funds were budgeted from available fund balance.

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets for its governmental fund as of June 30, 2010 amounts to \$8,363,730 (net of accumulated depreciation). This investment is in land, buildings and improvements, infrastructure, and machinery and equipment. The total increase in the Town’s investment in capital assets for the current fiscal year was \$780,134.

<u>Town of Wise, Virginia’s Change in Net Assets</u>		
	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Land	\$ 2,097,491	\$ 2,097,491
Buildings and Building Improvements	2,095,535	1,954,474
Infrastructure	4,905,283	4,404,005
Equipment	<u>2,785,140</u>	<u>2,647,346</u>
Total	11,883,450	11,103,316
Less: Accumulated Depreciation	<u>(3,519,720)</u>	<u>(3,099,752)</u>
Net Capital Assets	<u>\$ 8,363,730</u>	<u>\$ 8,003,564</u>

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

BASIC FINANCIAL STATEMENTS

TOWN OF WISE, VIRGINIA
STATEMENT OF NET ASSETS
AT JUNE 30, 2010

	GOVERNMENTAL FUND	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES
	GENERAL	ENTERPRISE	
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 4,602,809	\$ 306,188	\$ 4,908,997
Receivables (Net of Allowances for Uncollectibles):			
Taxes Including Penalties	138,620	-	138,620
Accounts	22,577	144,652	167,230
Other	6,624	115	6,739
Due from Other Governmental Units	50,037	-	50,037
Unamortized Bond Issuance Cost (Net of Accumulated Amortization)	3,776	241	4,017
TOTAL CURRENT ASSETS	4,824,444	451,196	5,275,640
NONCURRENT ASSETS			
Fixed Assets (Net of Accumulated Depreciation)	8,363,730	6,917,718	15,281,448
TOTAL NONCURRENT ASSETS	8,363,730	6,917,718	15,281,448
TOTAL ASSETS	<u>\$ 13,188,174</u>	<u>\$ 7,368,914</u>	<u>\$ 20,557,088</u>
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts Payable	\$ 103,136	\$ 136,695	\$ 239,832
Accrued Liabilities	64,720	35,040	99,760
Accrued Vacation Pay	80,899	64,532	145,431
Other Post Employment Benefits	19,100	-	19,100
Customer Deposits	-	106,220	106,220
Accrued Interest	1,347	210	1,557
General Obligation Bonds Payable	58,912	15,773	74,685
TOTAL CURRENT LIABILITIES	328,115	358,469	686,584
NONCURRENT LIABILITIES			
Noncurrent Portion of Long-Term Obligations	188,273	16,274	204,547
TOTAL NONCURRENT LIABILITIES	188,273	16,274	204,547
TOTAL LIABILITIES	<u>516,388</u>	<u>374,743</u>	<u>891,131</u>
<u>NET ASSETS</u>			
Investment in General Fixed Assets, Net of Related Debt	8,116,545	6,885,671	15,002,216
Unrestricted Net Assets	4,555,241	108,500	4,663,741
TOTAL NET ASSETS	<u>12,671,786</u>	<u>6,994,171</u>	<u>19,665,957</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 13,188,174</u>	<u>\$ 7,368,914</u>	<u>\$ 20,557,088</u>

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

TOWN OF WISE, VIRGINIA
STATEMENT OF ACTIVITIES
AT JUNE 30, 2010

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS and CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT GOVERNMENTAL and BUSINESS - TYPE ACTIVITIES
PRIMARY GOVERNMENT:						
Governmental Activities						
General Government Administration	\$ 486,618	\$ -	\$ 83,821	\$ (402,797)		\$ (402,797)
Public Safety	1,157,950	-	235,290	(922,660)		(922,660)
Public Works	1,149,626	213,671	423,712	(512,243)		(512,243)
Health & Welfare	7,881	-	-	(7,881)		(7,881)
Parks, Recreation & Cultural	273,377	76,468	5,000	(191,909)		(191,909)
Community Development	130,663	-	21,898	(108,765)		(108,765)
Interest & Fiscal Charges	9,059	-	-	(9,059)		(9,059)
Total Governmental Activities	3,215,174	290,139	769,721	(2,155,313)		(2,155,313)
Business-Type Activities						
Water and Sewer Fund	2,602,436	2,082,455	-		(519,981)	(519,981)
Total Business-Type Activities	2,602,436	2,082,455	-		(519,981)	(519,981)
Total Primary Government	\$ 5,817,609	\$ 2,372,594	\$ 769,721			(2,675,294)
General Revenues						
Taxes:						
Property Taxes, levied for general purposes				612,485	-	612,485
Utility Taxes				105,167	-	105,167
Mineral Taxes				162,663	-	162,663
Franchise Taxes				7,646	-	7,646
Local Sales & Use Taxes				302,450	-	302,450
Other Local Taxes				1,530,014	-	1,530,014
Grants and Contributions, not restricted to specific programs					291,750	291,750
Investment Income				78,597	5,703	84,300
Miscellaneous				175,051	-	175,051
Operating Transfers				(233,528)	233,528	-
Gain (Loss) on Sale of Assets				-	-	-
Total General Revenue				2,740,544	530,981	3,271,525
Change in Net Assets				585,231	11,000	596,231
Net Assets at Beginning of Year				12,086,555	6,983,171	19,069,726
Net Assets at End of Year				\$ 12,671,786	\$ 6,994,171	\$ 19,665,957

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

TOWN OF WISE, VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	GENERAL FUND
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 4,602,809
Receivables (Net of allowances for uncollectibles):	
Taxes, including penalties	130,996
Accounts	22,577
Other	-
Due from Other Governmental Units	<u>50,037</u>
 TOTAL ASSETS	 <u><u>4,806,420</u></u>
<u>LIABILITIES</u>	
Accounts Payable	103,136
Accrued Liabilities	64,720
Accrued Interest	-
Deferred Revenue	<u>25,478</u>
 TOTAL LIABILITIES	 <u>193,335</u>
<u>FUND BALANCES</u>	
Unreserved	<u>4,613,085</u>
 TOTAL FUND BALANCES	 <u>4,613,085</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u><u>\$ 4,806,420</u></u>
Detailed explanation of adjustments from fund statements to government-wise statements of net assets:	
Unreserved Fund Balance	4,613,085
 When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the locality as a whole.	 8,363,730
 Because of focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in the fund balance.	 39,726
 Bond Issuance Costs included on the Statement of Assets, net of Accumulated Amortization.	 3,776
 Long-term liabilities applicable to the locality's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net assets.	 <u>(348,531)</u>
Net assets of General Government Activities	<u><u>\$ 12,671,786</u></u>

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

TOWN OF WISE, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2010

	2010	2009
REVENUES:		
General Property Taxes	\$ 593,612	\$ 545,798
Other Local Taxes	2,009,139	2,047,941
Permits & Privilege Fees	1,289	2,344
Fines & Forfeitures	19,207	25,528
Revenue from Use of Money & Property	72,512	113,235
Charges for Services	290,139	252,195
Miscellaneous	152,901	114,685
Intergovernmental	880,889	618,075
TOTAL REVENUES	<u>4,019,688</u>	<u>3,719,801</u>
EXPENDITURES:		
Current:		
General Government Administration	460,570	424,020
Public Safety	1,173,552	1,182,865
Public Works	1,436,894	1,680,823
Health & Welfare	7,881	6,230
Parks, Recreation & Cultural	236,987	259,604
Community Development	236,029	264,672
Debt Service:		
Principal Retirement	57,102	55,348
Interest & Fiscal Charges	9,643	11,397
TOTAL EXPENDITURES	<u>3,618,657</u>	<u>3,884,959</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>401,031</u>	<u>(165,158)</u>
OTHER FINANCING SOURCES (USES):		
Operating Transfer (Out)	(233,528)	(275,615)
Refunding Bond Proceeds	-	-
Bond Issuance Costs	-	-
TOTAL OTHER FINANCING SOURCES	<u>(233,528)</u>	<u>(275,615)</u>
Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses	<u>167,502</u>	<u>(440,773)</u>
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>4,445,582</u>	<u>4,886,355</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u><u>\$4,613,084</u></u>	<u><u>\$4,445,582</u></u>

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

TOWN OF WISE, VIRGINIA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

EXHIBIT 5

	GOVERNMENTAL FUNDS
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ 167,502
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	360,166
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	14,828
Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, these costs represent expenses of the current year.	5,676
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	37,058
Change in net assets of governmental activities	\$ 585,230

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

TOWN OF WISE, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET & ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2010

EXHIBIT 6

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
General Property Taxes	\$ 545,360	\$ 593,612	\$ 48,252
Other Local Taxes	1,699,100	2,009,139	310,039
Permits & Privilege Fees	1,250	1,289	39
Fines & Forfeitures	15,500	19,207	3,707
Revenue from Use of Money & Property	114,000	72,512	(41,488)
Charges for Services	254,000	290,139	36,139
Miscellaneous	185,200	152,901	(32,299)
Intergovernmental	1,484,110	880,889	(603,221)
TOTAL REVENUES	<u>4,298,520</u>	<u>4,019,688</u>	<u>(278,832)</u>
EXPENDITURES:			
Current:			
General Government Administration	523,110	460,570	62,540
Public Safety	1,479,112	1,173,552	305,560
Public Works	1,772,838	1,436,894	335,944
Health & Welfare	11,500	7,881	3,619
Parks, Recreation & Cultural	323,420	236,987	86,433
Community Development	2,290,770	236,029	2,054,741
Debt Service:			
Principal Retirement	67,000	57,102	9,898
Interest & Fiscal Charges	-	9,643	(9,643)
TOTAL EXPENDITURES	<u>6,467,750</u>	<u>3,618,657</u>	<u>2,849,093</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,169,230)	401,031	2,570,261
OTHER FINANCING SOURCES (USES):			
Operating Transfer (Out)	(919,060)	(233,528)	685,532
Prior Year Appropriation	3,088,290	-	(3,088,290)
TOTAL OTHER FINANCING SOURCES	<u>2,169,230</u>	<u>(233,528)</u>	<u>(2,402,758)</u>
Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses	-	167,502	167,502
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>-</u>	<u>4,445,582</u>	<u>4,445,582</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ -</u>	<u>\$ 4,613,084</u>	<u>\$ 4,613,084</u>

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

TOWN OF WISE, VIRGINIA
STATEMENT OF REVENUES, EXPENSES & CHANGES IN
RETAINED EARNINGS - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010 AND 2009

EXHIBIT 7

	ENTERPRISE	
	2010	2009
OPERATING REVENUES:		
Charges for Services	\$ 1,944,988	\$ 1,869,995
Connection Charges	77,590	51,475
Miscellaneous	59,877	75,725
TOTAL OPERATING REVENUES	2,082,455	1,997,195
OPERATING EXPENSES:		
Personnel Service	802,443	604,832
Fringe Benefits	419,142	358,401
Contractual Services	44,273	30,402
Other Charges	969,025	1,116,112
Amortized Bond Issuance Costs	297	297
Depreciation	365,879	355,939
TOTAL OPERATING EXPENSES	2,601,059	2,465,983
OPERATING INCOME (LOSS)	(518,605)	(468,788)
NON-OPERATING REVENUES (EXPENSES):		
Miscellaneous Income	-	-
Interest Income	5,703	4,628
Interest Expense	(1,376)	(1,975)
Gain (Loss) on Sale of Assets	-	(1,343)
TOTAL NON-OPERATING REVENUES (EXPENSES)	4,326	1,310
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(514,278)	(467,478)
Operating Transfer In	233,528	275,614
Contribution from Other Governmental Units	291,750	50,000
NET INCOME	11,000	(141,864)
RETAINED EARNINGS AT BEGINNING OF YEAR	6,983,171	7,125,035
RETAINED EARNINGS AT END OF YEAR	\$ 6,994,171	\$ 6,983,171

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

TOWN OF WISE, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

EXHIBIT 8
PAGE 1

Cash Flow from Operating Activities:		
Cash Received from Customers	\$ 2,031,319	
Cash Payments to Suppliers for Goods & Services	(950,615)	
Cash Payment to Employees for Services	(1,224,740)	
Other Operating Revenues	<u>62,007</u>	
NET CASH PROVIDED BY OPERATING ACTIVITIES		(82,029)
Cash Flow from Noncapital Financing Activities:		
Increase (Decrease) in Customer Deposits	<u>2,130</u>	
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES		2,130
Cash Flows from Capital & Related Financing Activities:		
Acquisition of Capital Assets	(430,935)	
Transfer from General Fund	233,528	
Contribution from other governmental units	291,750	
Principal Paid on Revenue Bond	(15,288)	
Interest Paid on Revenue Bonds	<u>(1,252)</u>	
NET CASH USED FOR CAPITAL & RELATED FINANCING ACTIVITIES		77,803
Cash Flows from Investing Activities:		
Interest & Dividends on Investments	5,593	
Other Non-Operating Revenues	<u>1,621</u>	
NET CASH PROVIDED BY INVESTING ACTIVITIES		<u>7,214</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS		5,118
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>301,070</u>
CASH & CASH EQUIVALENTS AT END OF YEAR		<u><u>\$ 306,188</u></u>

Disclosure of Accounting Policy

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

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

TOWN OF WISE, VIRGINIA
STATEMENT OF CASH FLOWS (SUPPLEMENTARY SCHEDULE)
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

EXHIBIT 8
PAGE 2

Reconciliation of Operating Income to Net

Cash Provided by Operating Activities:

Operating Income (Loss) \$ (518,605)

Adjustments to reconcile Operating Income to

Net Cash Provided by Operating Activities:

Depreciation \$ 365,879

Amortization 297

Change in Assets & Liabilities:

(Increase) Decrease in Accounts Receivable 8,741

Increase (Decrease) in Accounts Payable 64,937

Increase (Decrease) in Accrued Liabilities (6,094)

Increase (Decrease) Accrued Vacation 2,815

TOTAL ADJUSTMENTS

436,575

NET CASH PROVIDED BY OPERATING ACTIVITIES

\$ (82,029)

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

NOTES TO FINANCIAL STATEMENTS

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Statement Presentation

Financial Statement Presentation

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

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

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

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, 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.

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

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 (Continued)

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

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

Budgetary comparison schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

B. The Financial Reporting Entity

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

As required by generally accepted accounting principles, these financial statements present the Town as a primary government. Upon consideration of potential component units, it was determined that there were no component units for the Town.

C. Potential Component Unit Consideration

No potential component units were detected during review.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 (Continued)

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

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

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

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

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

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

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

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 (Continued)

The government reports the following major governmental fund.

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

General Fund

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

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

Enterprise Funds

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

E. Budgets and Budgetary Accounting

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

- (1) The Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain citizen comments.
- (3) Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
- (4) The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. The appropriation for each department or category can be revised only by the Council. The Town Manager is authorized to transfer budgeted amounts within general government departments.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 (Continued)

- (5) Formal budgetary integration is employed as a management control device during the year for the General Fund.
- (6) All budgets are adopted on a cash basis, but variances from modified accrual basis budgets are not considered to be material.
- (7) Appropriations lapse on June 30 for all Town units.
- (8) All budget data presented in the accompanying financial statements is the original budget, as no amendments were made during the year.

F. Encumbrances

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

G. Property, Plant and Equipment

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

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 (Continued)

H. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$52,561 at June 30, 2010, and is composed of the following:

General Fund:	
Property Taxes Receivable	\$ 13,463
Garbage Receivable	5,279
<u>Water and Sewer Fund:</u>	
Accounts Receivable	33,819
TOTAL	<u>\$ 52,561</u>

NOTE 2: CASH AND INVESTMENTS

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

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

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

NOTE 3: PROPERTY TAXES RECEIVABLE

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4: DUE FROM OTHER GOVERNMENTAL UNITS

General Fund:

Treasurer of Wise County:

Sales Tax	\$ -	
Court Fines	2,488	
Coal Road Improvement	<u>47,549</u>	
Total Treasurer of Wise County		50,037

TOTAL GENERAL FUND	<u>\$ 50,037</u>
--------------------	------------------

NOTE 5: DEFERRED REVENUE

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$25,478 is comprised of uncollected tax billings not available for funding of current expenditures as of June 30, 2010.

NOTE 6: CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	BALANCE JULY 1, 2009	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2010
Land	\$ 2,097,491	\$ -	-	\$ 2,097,491
Buildings	1,954,474	141,062	-	2,095,536
Infrastructure	4,404,005	501,279	-	4,905,284
Equipment	<u>2,647,346</u>	<u>171,976</u>	<u>34,183</u>	<u>2,785,139</u>
TOTAL	<u>\$ 11,103,316</u>	<u>\$ 814,317</u>	<u>34,183</u>	\$ 11,883,450
				<u>(3,519,720)</u>
				<u>8,363,730</u>

Less: Accumulated Depreciation
NET

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 7: PROPRIETARY FIXED ASSETS

A summary of proprietary fund property, plant and equipment at June 30, 2010 follows:

	Water & Sewer
Land	\$ 296,000
Buildings	235,838
Improvements Other Than Buildings	10,363,157
Equipment	1,092,692
	<hr/>
TOTAL	\$ 11,987,687
Less: Accumulated Depreciation	(8,588,715)
	<hr/>
NET	\$ 3,398,972
	<hr/>

NOTE 8: LONG-TERM DEBT

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

	<u>Bonds & Notes Payable</u>	
	<u>GENERAL OBLIGATION REFUNDING BONDS</u>	
YEAR ENDED		
JUNE 30,	PRINCIPAL	INTEREST
2011	74,685	8,848
2012	77,052	6,481
2013	62,706	4,039
2014	64,789	2,051
	<hr/>	<hr/>
TOTALS	\$ 279,232	\$ 21,419
	<hr/>	<hr/>

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 8 (Continued)

Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the Town for the Year ended June 30, 2010:

	GENERAL OBLIGATION BONDS	WATER & SEWER BONDS	TOTALS
Bonds Payable at July 1, 2009	\$ 304,288	\$ 47,334	\$ 351,622
Retirements:			
General Obligation Refunding Bonds	57,102	15,288	72,390
Total Requirements	\$ 57,102	\$ 15,288	\$ 72,390
Bonds Payable at June 30, 2010	\$ 247,186	\$ 32,046	\$ 279,232

DETAILS OF LONG-TERM INDEBTEDNESS

	AMOUNT OUTSTANDING
<u>General Obligation Bond:</u>	
An \$878,555 General Obligation Refunding Bond was issued April 10, 2003 to Blue Ridge Bank for the refinancing of a general obligation bond. Of the refunding bond, 71% was allocated to the general fund. A principle payment is due annually and interest is paid semi-annually at 3.10% interest rate.	\$ 247,186
TOTAL GENERAL OBLIGATION BONDS	\$ 247,186
TOTAL COMPENSATED ABSENCES	80,899
TOTAL GENERAL LONG-TERM OBLIGATION DEBT	\$ 328,085

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 8 (Continued)

ENTERPRISE FUND

<u>General Obligation Bond:</u>	<u>AMOUNT OUTSTANDING</u>
An \$878,555 General Obligation Refunding Bond was issued April 10, 2003 to Blue Ridge Bank for the refinancing of revenue bonds. Of the refunding bond, 29% was allocated to the enterprise fund. A principle payment is due annually and interest is paid semi-annually at 3.10% interest rate.	\$ 32,046
TOTAL COMPENSATED ABSENCES	<u>\$ 64,532</u>
TOTAL ENTERPRISE FUND LONG-TERM DEBT	<u>\$ 96,578</u>

NOTE 9: DEFINED BENEFIT PENSION PLAN

A. Plan Description

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employees (age 50 with 25 years of service for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of compensation. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information to VRS. A copy of that report may be obtained by writing to the System at P. O. Box 2500, Richmond, VA 23218-2500.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from The System's web site at <http://www.varetire.org/Pfd/Publications/2009-Annual-Report.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 9 (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. This 5% member contribution may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended June 30, 2010 was 3.84% of the annual covered payroll.

C. Annual Pension Cost

For 2010, the Town's annual pension cost of \$73,069 was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return, (b) projected salary increases, ranging between 3.75% and 5.60% depending on the member's service and classification (general employee or uniformed officer); and retirement, mortality, disability and termination rates that were also based on the 2004 experience study prepared for VRS. Liabilities were determined under the entry age normal actuarial cost method, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period.

D. Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$73,069	100%	\$ - 0 -
June 30, 2009	\$79,607	100%	\$ - 0 -
June 30, 2008	\$78,025	100%	\$ - 0 -
June 30, 2007	\$65,237	100%	\$ - 0 -
June 30, 2006	\$98,120	100%	\$ - 0 -
June 30, 2005	\$91,448	100%	\$ - 0 -
June 30, 2004	\$75,795	100%	\$ - 0 -
June 30, 2003	\$71,025	100%	\$ - 0 -

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 9 (Continued)

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

E. Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 100% funded. The actuarial liability for benefits was \$6,224,432, and the actuarial value of assets was \$6,429,770, resulting in an unfunded actuarial accrued liability (UAAL) of (\$205,338). The covered payroll (annual payroll of active employees covered by the plan) was \$1,902,844, and ratio of the UALL to the covered payroll was (10.79%).

NOTE 10: CONTINGENT LIABILITIES

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

NOTE 11: SURETY BONDS

Position Fidelity Schedule Bond:

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 12: CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES

In accordance with NCGA Statement 4 "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences", the Town has accrued the liability arising from outstanding claims and judgments and compensated absences. Town employees earn sick leave at the rate of one day for each per month and vacation time is accrued based on length of service. No benefits or pay are received for unused sick leave upon termination. Accumulated vacation, up to the specified maximum, is paid upon termination. The Town has outstanding accrued vacation pay totaling \$80,899 in the General Long-Term Obligation Account Group and \$64,532 in the Water and Sewer Fund.

NOTE 13: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest Paid-Proprietary Fund

Cash paid interest expense relating to debt for the year ended June 30, 2010 amounted to \$1,501.

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

NOTE 14: LITIGATION

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

NOTE 15: OTHER POST EMPLOYMENT BENEFITS

For the fiscal year ended June 30, 2010, the Town of Wise has implemented Governmental Accounting Standards Board (GASB) Statement 45 which addresses the reporting and disclosure requirements for other post employment benefits (OPEB). GASB Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," requires the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

Plan Description

a. Health Plan Eligibility

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

- General Town – Participants must have attained age 50 with a minimum of 30 years of service including 10 years of continuous service with the Town.
- Public Safety Officers – Participants must have attained age 50 with a minimum of 25 years of service including 10 years of continuous service with the Town.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Health benefits include medical, dental, and vision. Retirees may elect the Blue Cross PPO medical option. Benefits end at age 65.

b. Health Plan Benefits

NOTE 15 (Continued)

Coverage is for the retiree and eligible spouses/dependents. The monthly premiums below are for retirees (actives have separate lower premiums) for the year beginning 7/1/2009. The monthly premiums include dental and vision coverage.

Retiree	\$884
Retiree and Spouse/Dependent	\$1,635
Family	\$2,387

c. Retiree Contributions

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

d. Disability Retirement Benefit

The Plan does not include any disability retirement benefits.

e. Death Benefit

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

f. Withdrawal Benefit

The Plan does not include a withdrawal benefit.

g. Benefit Service

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

Funding Policy

GASB Statement 45 does not mandate the prefunding of postemployment benefits liability.

The Town currently funds these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits.

Annual OPEB and Net OPEB Obligations:

Normal Cost	\$12,800
30 Year Amortization of UAL	6,300
Annual Required Contribution (ARC)	\$19,100

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Schedule of Employer Contributions:

Annual Required Contribution	Actual Contribution	Percent Funded
\$19,100	-0-	0%

NOTE 15 (Continued)

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b - a) / c)
1/1/2009	\$0	\$176,800	\$176,800	0%	1,893,800	9.34%

Actuarial Assumptions and Methods:

Valuation Date	January 1, 2009
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Amortization Period	30 Years
Asset Valuation Method	N/A
Actuarial Assumptions:	
Investment Rate of Return	4.00%
Health Cost Trend Assumption	Getzen Trend Model – 6.70%
	Graded to 5.10% over 80 years
Payroll Growth	3.75% per year

SCHEDULES OF CAPITAL ASSETS

TOWN OF WISE, VIRGINIA
SCHEDULE OF CAPITAL ASSETS BY SOURCE
FOR THE YEAR ENDED JUNE 30, 2010

EXHIBIT 9

	<u>TOTAL</u>
CAPITAL ASSETS:	
Land	\$ 2,097,491
Building and Building Improvements	2,095,536
Infrastructure	4,905,283
Equipment	<u>2,785,140</u>
Total Capital Assets	<u><u>\$11,883,450</u></u>
INVESTMENT IN CAPITAL ASSETS BY SOURCE:	
Proceeds from Indebtedness	\$ 304,287
General Fund Revenues	<u>11,579,163</u>
TOTAL INVESTMENT IN CAPITAL ASSETS	<u><u>\$11,883,450</u></u>

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

TOWN OF WISE, VIRGINIA
SCHEDULE OF CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2010

EXHIBIT 10

	LAND	BUILDING and BUILDING IMPROVEMENTS	INFRA- STRUCTURE	EQUIPMENT	TOTAL
PRIMARY GOVERNMENT:					
General Government Adm	\$ 2,097,491	\$ 1,571,652	\$ -	\$ 167,108	\$ 3,836,251
Judicial Administration	-	-	-	-	-
Public Safety	-	398,152	-	1,476,124	1,874,276
Public Works	-	125,732	2,501,694	1,058,353	3,685,780
Health & Welfare	-	-	-	-	-
Education	-	-	-	-	-
Parks, Recreation & Cultural	-	-	1,814,955	55,703	1,870,658
Community Development	-	-	588,634	27,851	616,485
TOTAL CAPITAL ASSETS BY FUNCTION	\$ 2,097,491	\$ 2,095,536	\$ 4,905,283	\$ 2,785,140	\$ 11,883,450

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



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SUPPLEMENTARY SCHEDULES

TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF REVENUES - BUDGET & ACTUAL
YEAR ENDED JUNE 30, 2010

SCHEDULE 1

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund:				
Revenue From Local Sources:				
General Property Taxes:				
Real Property Taxes	\$ 422,000	\$ 422,000	\$ 458,363	\$ 36,363
Real & Personal Public Service				
Corporation Property Taxes	10,000	10,000	11,966	1,966
Personal Property Taxes	106,860	106,860	115,747	8,887
Penalties & Interest	6,500	6,500	7,536	1,036
PROPERTY TAXES	545,360	545,360	593,612	48,252
Other Local Taxes:				
Local Sales & Use Taxes	80,000	80,000	191,282	111,282
Consumer Utility Taxes	80,000	80,000	85,126	5,126
Consumption Tax	15,000	15,000	20,041	5,041
Business License Taxes	338,100	338,100	408,441	70,341
Franchise License Taxes	4,000	4,000	7,646	3,646
Motor Vehicle Licenses	33,000	33,000	32,073	(927)
Bank Stock Taxes	90,000	90,000	121,408	31,408
Transient Lodging Taxes	34,000	34,000	40,943	6,943
Coal Road Improvement Taxes	160,000	160,000	162,663	2,663
Cigarette Tax	30,000	30,000	42,227	12,227
Meal Tax	835,000	835,000	897,289	62,289
	1,699,100	1,699,100	2,009,140	310,040
Permits, Privilege Fees &				
Regulatory Licenses:				
Animal License	500	500	664	164
Permits	750	750	625	(125)
REGULATORY LICENSES	1,250	1,250	1,289	39
Fines & Forfeitures	15,500	15,500	19,207	3,707
Revenue From Use of Money & Property:				
Interest and Rent Revenue	114,000	114,000	72,512	(41,488)
TOTAL REVENUE FROM USE OF MONEY & PROPERTY	114,000	114,000	72,512	(41,488)

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

TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF REVENUES - BUDGET & ACTUAL
YEAR ENDED JUNE 30, 2010

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund: (continued)				
Charges For Services:				
Charges For Parks & Recreation	\$ 70,000	\$ 70,000	\$ 76,468	\$ 6,468
Charges For Sanitation & Waste Removal	184,000	184,000	213,671	29,671
TOTAL CHARGES FOR SERVICES	254,000	254,000	290,139	36,139
Miscellaneous Revenue:				
Sale of Cemetery Plots	9,000	9,000	14,279	5,279
Sale of Property	100	100	1,500	1,400
County of Wise-Payment in Lieu of Taxes	16,000	16,000	-	(16,000)
Coal Severance Committee Appropriation	75,000	75,000	93,896	18,896
Miscellaneous	85,100	85,100	43,226	(41,874)
TOTAL MISCELLANEOUS REVENUE	185,200	185,200	152,901	(32,299)
TOTAL REVENUE FROM LOCAL SOURCES	2,814,410	2,814,410	3,138,800	324,390
Revenue From The Commonwealth:				
Non-Categorical Aid:				
Mobile Home Titling Tax	7,500	7,500	22,791	15,291
Communications Sales & Use Tax	100,000	100,000	111,168	11,168
Rolling Stock Tax	10	10	3	(7)
Car Rental Tax	2,000	2,000	2,090	90
Financial Assistance To Police Dept.	85,000	85,000	80,730	(4,270)
PPTRA Tax Relief	55,000	55,000	57,392	2,392
TOTAL NON-CATEGORICAL AID	249,510	249,510	274,174	24,664
Categorical Aid:				
Other Categorical Aid:				
Street & Highway Maintenance	422,000	422,000	423,712	1,712
Litter Grant	1,800	1,800	1,545	(255)
Fire Programs	8,500	8,500	8,980	480
Virginia Commission of Arts	5,000	5,000	5,000	-
DMV Safety Grant	3,800	3,800	10,304	6,504
DMV Mini Grant	-	-	1,237	1,237
Byrnes Justice Assistance Grant	5,500	5,500	4,094	(1,406)
VDFP Burn Building Grant	26,000	26,000	25,708	(292)
VDHCD CIG Grant Business Dist	700,000	700,000	21,898	(678,102)
TOTAL CATEGORICAL AID	1,172,600	1,172,600	502,478	(670,122)
TOTAL REVENUE FROM THE COMMONWEALTH	1,422,110	1,422,110	776,652	(645,458)

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

TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF REVENUES - BUDGET & ACTUAL
YEAR ENDED JUNE 30, 2010

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund: (continued)				
Revenue From The Federal Government:				
Categorical Aid:				
RD-CF Grant Police Cars	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
RD Grant Fire Equipment	-	-	50,000	50,000
Selective Enforcement Grant	12,000	12,000	4,237	(7,763)
TOTAL CATEGORICAL AID	<u>62,000</u>	<u>62,000</u>	<u>104,237</u>	<u>42,237</u>
TOTAL REVENUE FROM THE FEDERAL GOVT.	<u>62,000</u>	<u>62,000</u>	<u>104,237</u>	<u>42,237</u>
 TOTAL GENERAL FUND	 <u>\$ 4,298,520</u>	 <u>\$ 4,298,520</u>	 <u>\$ 4,019,689</u>	 <u>\$ (278,831)</u>

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

TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL
YEAR ENDED JUNE 30, 2010

SCHEDULE 2

FUND, MAJOR & MINOR EXPENDITURE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Government Administration:				
Legislative:				
Town Council	\$ 62,950	\$ 62,950	\$ 58,595	\$ 4,355
TOTAL LEGISLATIVE	62,950	62,950	58,595	4,355
General & Financial Administration:				
Employee Benefits	20,400	20,400	17,343	3,057
Manager	88,370	88,370	84,387	3,983
Professional Services	50,850	50,850	30,876	19,974
Treasurer	164,090	164,090	142,741	21,349
Risk Management	89,760	89,760	83,997	5,763
Data Processing	46,690	46,690	42,631	4,059
TOTAL GENERAL & FINANCIAL ADMINISTRATION	460,160	460,160	401,975	58,185
TOTAL GENERAL GOVERNMENT ADMINISTRATION	523,110	523,110	460,570	62,540
Public Safety:				
Law Enforcement & Traffic Control:				
Police Department	1,157,290	1,157,290	1,022,038	135,252
TOTAL LAW ENFORCEMENT & TRAFFIC CONTROL	1,157,290	1,157,290	1,022,038	135,252
Fire & Rescue Services:				
Volunteer Fire Department	294,822	294,822	130,763	164,059
Ambulance & Rescue Service	20,000	20,000	20,000	-
TOTAL FIRE & RESCUE SERVICES	314,822	314,822	150,763	164,059
Correction & Detention:				
Court Expense	5,000	7,000	751	6,249
TOTAL COURT EXPENSE	5,000	7,000	751	6,249

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

TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL
YEAR ENDED JUNE 30, 2010

SCHEDULE 2

FUND, MAJOR & MINOR EXPENDITURE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Public Safety: (continued)				
Animal Control:				
Animal Control	\$ -	\$ -	\$ -	\$ -
TOTAL ANIMAL CONTROL	-	-	-	-
TOTAL PUBLIC SAFETY	1,477,112	1,479,112	1,173,552	305,560
Public Works:				
Maintenance of Highways, Streets, Bridges, and Sidewalks:				
General Administration	127,188	127,188	115,769	11,419
Storm Drainage	23,000	23,000	14,669	8,331
Street Maintenance	1,052,650	1,052,650	800,905	251,745
Street Lights	48,000	48,000	42,385	5,615
Snow & Ice Removal	80,550	80,550	61,296	19,254
TOTAL MAINTENANCE OF HIGHWAYS, STREETS, BRIDGES, & SIDEWALKS	1,331,388	1,331,388	1,035,024	296,364
Sanitation & Waste Removal:				
General Engineering/Administration:				
Solid Waste Removal	322,950	322,950	291,569	31,381
TOTAL SANITATION & WASTE REMOVAL	322,950	322,950	291,569	31,381
Maintenance of General Buildings and Grounds:				
General Engineering/Administration:				
General Properties	118,500	118,500	110,301	8,199
TOTAL MAINTENANCE OF GENERAL BUILDINGS & GROUNDS	118,500	118,500	110,301	8,199
TOTAL PUBLIC WORKS	1,772,838	1,772,838	1,436,894	335,944
Health and Welfare:				
Welfare Social Service:				
Property Tax Relief for Elderly	11,500	11,500	7,881	3,619
TOTAL HEALTH AND WELFARE	11,500	11,500	7,881	3,619

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

TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL
YEAR ENDED JUNE 30, 2010

SCHEDULE 2

FUND, MAJOR & MINOR EXPENDITURE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Government Administration:				
Legislative:				
Town Council	\$ 62,950	\$ 62,950	\$ 58,595	\$ 4,355
TOTAL LEGISLATIVE	62,950	62,950	58,595	4,355
General & Financial Administration:				
Employee Benefits	20,400	20,400	17,343	3,057
Manager	88,370	88,370	84,387	3,983
Professional Services	50,850	50,850	30,876	19,974
Treasurer	164,090	164,090	142,741	21,349
Risk Management	89,760	89,760	83,997	5,763
Data Processing	46,690	46,690	42,631	4,059
TOTAL GENERAL & FINANCIAL ADMINISTRATION	460,160	460,160	401,975	58,185
TOTAL GENERAL GOVERNMENT ADMINISTRATION	523,110	523,110	460,570	62,540
Public Safety:				
Law Enforcement & Traffic Control:				
Police Department	1,157,290	1,157,290	1,022,038	135,252
TOTAL LAW ENFORCEMENT & TRAFFIC CONTROL	1,157,290	1,157,290	1,022,038	135,252
Fire & Rescue Services:				
Volunteer Fire Department	294,822	294,822	130,763	164,059
Ambulance & Rescue Service	20,000	20,000	20,000	-
TOTAL FIRE & RESCUE SERVICES	314,822	314,822	150,763	164,059
Correction & Detention:				
Court Expense	5,000	7,000	751	6,249
TOTAL COURT EXPENSE	5,000	7,000	751	6,249

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

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

FISCAL YEAR	GENERAL PROPERTY TAXES	OTHER LOCAL TAXES	FINES AND FORFEITURES	PERMITS, PRIVILEGE FEES & REGULATORY LICENSES	CHARGES FOR SERVICES	MISCELLANEOUS	REVENUE FROM USE OF MONEY AND PROPERTY	INTER-GOVERNMENTAL	TOTAL
2010	\$ 593,612	\$ 2,009,140	\$ 19,207	\$ 1,289	\$ 290,139	\$ 152,901	\$ 72,512	\$ 880,889	\$ 4,019,689
2009	545,798	2,047,941	25,528	2,344	252,195	114,685	113,235	618,075	3,719,801
2008	533,967	1,958,075	32,215	1,548	257,055	93,129	206,913	645,909	3,728,811
2007	513,447	1,926,114	34,213	914	251,487	65,825	232,318	616,262	3,640,580
2006	511,017	1,942,507	30,013	1,281	236,402	125,933	124,091	693,506	3,664,750
2005	519,245	1,893,677	38,705	2,159	230,724	48,996	80,520	1,338,306	4,152,332
2004	562,320	1,788,585	56,625	2,500	214,799	44,177	52,566	617,952	3,339,524
2003	447,783	1,497,698	42,805	1,993	191,515	44,250	60,467	528,851	2,815,362
2002	420,691	1,379,250	28,742	1,804	167,597	46,831	147,266	523,003	2,715,184
2001	458,111	1,322,985	35,557	2,243	171,579	51,655	266,704	481,459	2,790,293

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

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

FISCAL YEAR	GENERAL ADMINI- STRATION	PARKS, RECREATION AND CULTURAL							TOTAL
		PUBLIC SAFETY	PUBLIC WORKS	HEALTH AND WELFARE	COMMUNITY DEVELOP- MENT	NON DEPART- MENTAL	DEBT SERVICE		
2010	\$ 460,570	\$ 1,173,552	\$ 1,436,894	\$ 236,987	\$ 7,881	\$ 236,029	\$ -	\$ 66,745	\$ 3,618,657
2009	424,020	1,182,865	1,680,823	259,604	6,230	264,672	-	66,745	3,884,959
2008	406,137	1,176,522	1,475,337	182,841	7,339	265,433	-	66,712	3,580,321
2007	420,161	1,106,967	1,360,055	173,650	6,864	90,225	-	66,703	3,224,625
2006	398,018	1,096,462	1,179,230	133,086	11,221	81,665	-	66,681	2,966,363
2005	359,662	1,035,880	1,855,818	153,986	7,325	131,053	-	66,556	3,610,280
2004	343,483	882,395	1,137,226	217,901	6,926	85,800	-	66,458	2,740,189
2003	331,910	842,969	1,037,719	1,121,189	6,626	167,101	177,989	685,853	4,371,356
2002	306,791	830,231	839,763	566,162	6,115	458,895	285,007	66,638	3,359,602
2001	256,512	713,274	780,418	50,854	7,402	80,245	31,346	66,683	1,986,734

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

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

SCHEDULE 5

FISCAL YEARS	REAL ESTATE	PERSONAL PROPERTY	MOBILE HOMES	PUBLIC UTILITY	TOTAL
2010	\$ 194,439,215	\$ 29,851,736	\$ 4,050,805	\$ 4,884,009	\$ 233,225,765
2009	160,596,939	32,721,952	4,319,930	3,098,502	200,737,323
2008	159,834,215	30,233,687	3,869,023	4,739,996	198,676,921
2007	156,553,081	30,622,337	3,988,457	4,595,882	195,759,757
2006	153,358,767	28,699,923	3,907,424	5,186,500	191,152,614
2005	150,448,836	27,610,251	3,697,987	5,776,893	187,533,967
2004	145,494,440	30,399,181	3,105,763	6,152,782	185,152,166
2003	125,438,895	25,239,677	3,392,027	5,983,356	160,053,955
2002	124,050,025	24,997,572	3,338,842	5,609,560	157,995,999
2001	123,455,936	25,664,815	2,829,202	5,969,874	157,919,827

PROPERTY TAX RATES
 LAST TEN YEARS

FISCAL YEARS	REAL ESTATE	PERSONAL PROPERTY	MOBILE HOMES	PUBLIC UTILITY
2010	0.245	0.530	0.245	Various
2009	0.245	0.530	0.245	Various
2008	0.245	0.530	0.245	Various
2007	0.245	0.530	0.245	Various
2006	0.245	0.530	0.245	Various
2005	0.245	0.530	0.245	Various
2004	0.260	0.530	0.260	Various
2003	0.260	0.530	0.260	Various
2002	0.260	0.530	0.260	Various
2001	0.260	0.530	0.260	Various

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

SCHEDULE 6

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

FISCAL YEAR	TOTAL (1) TAX LEVY	CURRENT TAX (1) COLLECTIONS	PERCENT OF LEVY COLLECTED	DELINQUENT (1) TAX (2) COLLECTIONS	TOTAL TAX COLLECTIONS	PERCENT OF TOTAL TAX COLLECTIONS OF TAX LEVY	OUTSTANDING (1) DELINQUENT TAXES	PERCENT OF DELINQUENT TAXES TO TAX LEVY
2010	\$ 670,880	\$ 634,711	94.61%	\$ 8,757	\$ 643,468	95.91%	\$ 29,712	4.43%
2009	576,329	565,569	98.13%	10,760	589,694	102.32%	25,506	4.43%
2008	574,232	558,855	97.32%	13,163	578,732	100.78%	41,160	7.17%
2007	558,498	548,144	98.15%	12,556	560,700	100.39%	38,927	6.97%
2006	557,210	535,995	96.19%	6,797	554,941	99.59%	34,462	6.18%
2005	544,263	531,971	97.74%	19,437	555,432	102.05%	40,692	7.48%
2004	546,013	510,227	93.45%	2,182	534,153	97.83%	51,222	9.38%
2003	477,670	454,352	95.12%	(32,459)	477,768	100.02%	41,370	8.66%
2002	474,320	435,489	91.81%	(3,968)	450,384	94.95%	88,496	18.66%
2001	481,872	441,522	91.63%	32,606	468,095	97.14%	83,493	17.33%

Notes:

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

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

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

FISCAL YEAR	POPULATION (1)	ASSESSED VALUE (IN THOUSANDS)	GROSS BONDED DEBT (2)	LESS:		NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
				DEBT SERVICE MONIES AVAILABLE	DEBT PAYABLE FROM ENTERPRISE REVENUES			
2010	3,255	\$ 233,226	\$ 279,232	-	\$ 32,046	\$ 247,186	0.0011	\$ 75.94
2009	3,255	200,737	351,622	-	47,335	304,287	0.0015	93.48
2008	3,255	198,676	421,789	-	62,154	304,287	0.0015	93.48
2007	3,255	195,760	489,798	-	76,517	359,635	0.0018	110.49
2006	3,255	191,153	555,718	-	90,439	465,279	0.0030	173.44
2005	3,255	185,152	761,174	-	196,642	564,532	0.0030	173.44
2004	3,255	185,152	761,174	-	196,642	564,532	0.0030	173.44
2003	3,255	187,534	859,237	-	247,448	564,532	0.0030	173.44
2002	3,255	157,996	920,234	-	287,561	611,789	0.0039	204.38
2001	3,255	157,920	997,222	-	331,969	632,673	0.0040	218.00

Notes:

(1) Bureau of Census.

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

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

SCHEDULE 8

TOWN OF WISE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR TOWN
DEFINED PENSION BENEFIT PLAN
JUNE 30, 2010

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

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

TOWN OF WISE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

SCHEDULE 9

FEDERAL GRANTING AGENCY/RECEIPT STATE AGENCY/ GRANT PROGRAM/GRANT NUMBER	FEDERAL CATALOGUE NUMBER	EXPENDITURES
Department of Agriculture Rural Housing Service Community Facilities Grant: Police Department Project	N/A	\$ 104,237
TOTAL		\$ 104,237

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

TOWN OF WISE, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Section I - Summary of Auditor's Results**Financial Statements**

Type of Auditor's reports issued: Unqualified

Internal Control over financial reporting:

Material weaknesses identified? No

Significant Defienencies identified not considered
to be material weaknesses? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Type of auditor's report issued on compliance
for major programs: N/A

Internal control over major problems:

Material weaknesses identified? N/A

Significant Defienencies identified not considered
to be material weaknesses? N/A

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
Section .510 (a)? N/A

Identification of major programs:

CFDA #	Type	Name of Federal Program or Cluster	
			N/A

Dollar threshold used to distinguish between Type A
and Type B programs N/A

Auditee qualified as low-risk auditee? N/A

Section II – Financial Statement Findings

There are no financial statement findings to report.

Section III – Federal Award Findings and Questioned Costs

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

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

TOWN OF WISE, VIRGINIA
STATEMENT OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

SCHEDULE 11

Legal Debt Limit

10% of Assessed Value Of Taxable Real Estate

(Including Public Utility Real Estate)

(\$194,439,215 x .10)

\$ 19,443,921

Deduct

Bonds Payable

279,232

Legal Margin For Creation Of Additional Debt

\$ 19,164,689

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

LARRY D. STURGILL, P. C.

LARRY D. STURGILL

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS

CERTIFIED PUBLIC ACCOUNTANT
P. O. BOX 2080 WISE, VIRGINIA 24293-2080

MEMBER
VIRGINIA SOCIETY OF
CERTIFIED PUBLIC
ACCOUNTANTS

TELEPHONE (276) 328-9593 FAX (276) 328-2131

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

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

Council Members:

I have audited the financial statements of the governmental activity and the major fund of the Town of Wise, Virginia as of and for the year ended June 30, 2010, and have issued my report thereon dated November 23, 2010, which collectively comprise the Town of Wise, Virginia's basic financial statements. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and with the *Specifications for Audit of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

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

Members of the Town Council
Town of Wise
Wise, Virginia 24293
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A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Wise, Virginia's ability to initiate, authorize, record, process, or report financial data reliability in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Wise, Virginia's financial statements that is more than inconsequential will not be prevented or detected by the Town of Wise, Virginia's internal control.

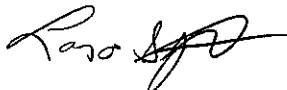
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Wise, Virginia's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance

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

This report is intended solely for the information and use of Management and the Board Members. However, this report is a matter of public record and its distribution is not limited.



Larry D. Sturgill
Certified Public Accountant
November 23, 2010

LARRY D. STURGILL, P. C.

LARRY D. STURGILL

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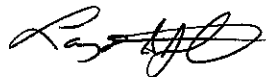
email: lsturgill@larrydsturgillcpa.com

**INDEPENDENT AUDITOR'S COMMENTS ON RESOLUTION
OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

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

Council Members:

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



Larry D. Sturgill
Certified Public Accountant
Wise, Virginia
November 23, 2010