

**TOWN OF WISE, VIRGINIA
TABLE OF CONTENTS
AUDIT REPORT
JUNE 30, 2021**

INTRODUCTORY SECTION

| | <u>Exhibit</u> | <u>Pages</u> |
|----------------------------------|-----------------------|---------------------|
| Letter of Transmittal | | i-ix |
| Directory of Principal Officials | | x |
| Organizational Chart | | xi |

INDEPENDENT AUDITORS' REPORT

| | | |
|------------------------------|--|-----|
| Independent Auditor's Report | | 1-3 |
|------------------------------|--|-----|

MANAGEMENTS DISCUSSION AND ANALYSIS

| | | |
|------------------------------------|--|------|
| Management Discussion and Analysis | | 4-10 |
|------------------------------------|--|------|

BASIC FINANCIAL STATEMENTS

GOVERNMENT WIDE FINANCIAL STATEMENTS

| | | |
|---------------------------|---|----|
| Statement of Net Position | 1 | 11 |
| Statement of Activities | 2 | 12 |

FUND FINANCIAL STATEMENTS

| | | |
|--|---|-------|
| Balance Sheet – Governmental Fund | 3 | 13 |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund | 4 | 14 |
| Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund | 5 | 15 |
| Combined Statement of Net Position – Proprietary Fund | 6 | 16 |
| Combined Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund | 7 | 17 |
| Combined Statement of Cash Flows – Proprietary Fund | 8 | 18-19 |

**TOWN OF WISE, VIRGINIA
TABLE OF CONTENTS (Continued)
AUDIT REPORT
JUNE 30, 2021**

| | <u>Exhibit</u> | <u>Pages</u> |
|--|-----------------|--------------|
| <u>NOTES TO FINANCIAL STATEMENTS</u> | | |
| Notes to Financial Statements | | 20-64 |
| <u>SCHEDULES OF CAPITAL ASSETS</u> | | |
| Schedule of Capital Assets by Source | 9 | 65 |
| Schedule of Capital Assets by Function | 10 | 66 |
| | <u>Schedule</u> | <u>Pages</u> |
| <u>SUPPLEMENTARY SCHEDULES</u> | | |
| Governmental Fund – Statement of Revenues – Budget and Actual | 1 | 67-69 |
| Governmental Fund – Statement of Expenditures – Budget and Actual | 2 | 70-72 |
| General Governmental Revenues by Source – Last Ten Fiscal Years | 3 | 73 |
| General Governmental Expenditures by Function – Last Ten Fiscal Years | 4 | 74 |
| Assessed Value of Taxable Property – Last Ten Fiscal Years | 5 | 75 |
| Property Tax Levies and Collections – Last Ten Fiscal Years | 6 | 76 |
| Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita-Last Ten Fiscal Years | 7 | 77 |
| Pledged Revenue Coverage—Last Ten Fiscal Years | 8 | 78 |
| Schedule of Legal Debt Margin | 9 | 79 |
| Schedule of Fund Balances-GASB 54 | 10 | 80 |
| Required Supplementary Information-Pension Plan-GASB 68 | 11 | 81-84 |
| Required Supplementary Information-OPEB-GASB 75 | 12 | 85-89 |
| Schedule of Expenditures of Federal Awards | 13 | 90 |
| Notes to Schedule of Expenditures of Federal Awards | | 91 |
| Schedule of Findings and Questioned Costs | | 92 |

TOWN OF WISE, VIRGINIA
TABLE OF CONTENTS (Continued)
AUDIT REPORT
JUNE 30, 2021

COMPLIANCE

| | |
|---|-------|
| Independent Auditors' Report Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards | 93-94 |
| Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance | 95-96 |
| Independent Auditors' Comments on Resolution of Prior Year Audit Findings | 97 |

PROFILE OF THE TOWN

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

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

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

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

LOCAL ECONOMY

The Town of Wise is proud to be the home of the University of Virginia's College at Wise (UVA-Wise). This public, four-year residential college attracts students from throughout the Southeast as well as from foreign countries. The College offers Virginia's only undergraduate degree program in software engineering as well as 30 majors, 32 minors, 24 teaching licensures, and multiple pre-professional programs in the fields of dentistry, engineering, law, medicine, physical therapy, and veterinary medicine.

The College's Economic Development Office provides resources for local business recruiting efforts and its business launch program connects individuals with faculty, students, and other regional, state, federal resources to help build an entrepreneurial culture in Southwest Virginia. The College also operates a cyber-technology business accelerator.

Town residents are largely employed in education services associated with UVA-Wise and the Wise County School System. The function of the Town as the county seat also brings significant employment in governmental and professional services. The retail trade industry has a strong presence with a number of regional shopping centers. Chain and independent restaurants provide

another important source of employment. Call centers also provide work for a number of local residents. Crutchfield Corporation, the nation's leading catalog and internet retailer of audio and video components employs over one hundred highly skilled people to respond to sales, technical support, and service calls. In addition, Sykes Enterprises, Inc., a global in-bound customer technical support center provides support for hardware and software products from various companies including TurboTax and Quickbooks and employs nearly 1,000 area residents. A nearby \$72M data center provides business continuity and disaster recovery services for major corporate and governmental clients. Internet provider Earthlink will bring 285 jobs to Wise County when it opens a \$5.4 million customer support center next year. The Town has benefited from the diversity of these sectors for contributions to total employment.

The central business district is a vibrant gateway to the larger community and the UVA-Wise campus, offering shopping, dining, and entertainment. The refurbished and expanded historic Inn at Wise anchors a renovated downtown Wise. The Inn features 49 lodging rooms, banquet/meeting space, a pub, a café, and a restaurant. In the center of downtown, the Big Glades amphitheater attracts visitors from throughout the region to participate in special events and outdoor concerts. Downtown Wise also features structures listed in the National Register of Historic Places.

Also notable is the emergence of UVA-Wise as a primary destination for activities other than higher education. The Town has benefitted from the 3,000-seat convocation center on the campus of the University of Virginia's College at Wise which hosts numerous and varied events throughout the year as well as the Gilliam Center for the Performing Arts. The local winery at Mountain Rose Vineyard has captured national attention for its unique adaptive reuse of a reclaimed coal mine site as well as accolades for its award-winning wines.

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

The Town was delighted to celebrate launch of Mountain Empire Transit (MET) in June. This new innovative on-demand service provides transportation and mobility options for those living in the Wise and Norton area.

BUDGETARY CONTROLS

The annual budget serves as the foundation of the Town's financial planning and control. In addition to internal accounting controls, the Town also maintains budgetary controls to ensure compliance with provisions embodied in the annual appropriated budget approved by Town Council. The governing body adopts an annual budget for the General Fund by July 1 of each year, after advertising and public hearing and as required by §15.2—2503 of the Code of Virginia, as amended. A budget for the proprietary fund is also prepared and tracked by the Town. The budget appropriation resolution places legal restrictions on expenditures at the departmental level. Budget transfers between departments and requests for supplemental appropriations require action by the governing body. Budget-to-actual comparisons for the General Fund are provided in this report in Schedules 1 and 2.

MAJOR INITIATIVES FOR FISCAL YEAR 2021

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

Government Administration

On June 23, 2020, the Wise Town Council adopted a General Fund budget for FY 2021 totaling nearly \$8.9 million and representing a decrease of 3% from the previous fiscal year. The budget for FY 21 did not include changes to any taxes, fees, charges, or levies.

In September of 2020, Wise County elected to allocate to each Town, an equitable share of its Coronavirus Aid, Relief, and Economic Security (CARES) funds. The Town of Wise utilized approximately \$225,000 in CARES Funding for purchases necessary due to the public health emergency, including personal protective equipment for employees, sanitizing supplies, COVID Leave for affected employees, costs of diversion of personnel, touchless fixtures for buildings, and technology to facilitate telework. This funding was crucial to help the town pay for immediate needs due to the Covid-19 pandemic without negatively impacting citizens. We are very grateful for Wise County's assistance.

The Town supports a number of charitable institutions, volunteer, and nonprofit organizations which serve residents. Most notable, during Fiscal Year 21, \$67,000 was set aside to support the operation of the Wise Volunteer Fire Department, \$9,500 for the Lonesome Pine Regional Library, \$1,900 for the Library Art Gallery, \$3,000 for the Cumberland Airport Commission, \$7,600 for Pro-Art, and \$22,000 for the Wise Rescue Squad. In addition, the Town contributed \$500 to the Wise Senior Citizens group, \$2,000 for the Wise Explorer's Post 312, \$2,000 for the Heart of Appalachia marketing effort, \$250 to The Health Wagon, and \$6,000 to assist with Wise Fall Fling festival expenses.

Awards

For the seventh year running, the Wise Water Treatment Plant received an Excellence in Waterworks Operations Award from the Virginia Department of Health. This award recognizes the treatment plant staff, distribution system personnel, the billing and collections department, management, and the governing body for their good stewardship of the utility system. Constructed in 1964, the Wise Water Treatment Plant serves approximately 2,650 water connections and approximately 7,450 people. The water system consists of over 50 miles of water line, a 1.5 million-gallon-per-day surface water treatment plant, 3 pump stations, and 8 water storage tanks.

During FY 21, two water treatment plant employees were selected for special honors. Mike Fields and Tommy Roberts each received the prestigious "Friend of VRWA" award recognizing their long and distinguished careers in the industry and a lifetime of service to the Virginia Rural Water Association.

This year the Wise Town Council was delighted to recognize another impressive year at Central High School adopting resolutions honoring team members, coaching staff, and parents for multiple state champions. Congratulated were the Central High School Competition Cheer Team for their Class 2 State Championship, the Central High School Forensics Team for their State

Championship, the Central High School One-Act Drama Team for their State Championship, and the Central Lady Warriors Tennis Team for their State Championship.

On the occasion of her retirement, in April of 2021, Dr. Eleanor Sue Cantrell was bestowed the “Hometown Hero Award” for a lifetime of dedication to the highest standards of public service as Director of the Lenowisco and Cumberland Plateau Health Districts and for nearly 45 years of practice in internal medicine. She was honored and celebrated for her compassionate leadership and her devotion to improving public health.

Financial

The Treasurer’s office remains vigilant in the collection of delinquent taxes and fees. Tools utilized include participation in the Virginia Department of Taxation’s Debt Set-Off Program, the Virginia Department of Motor Vehicle Registration Withholding Program, bank and wage liens, skip tracing, and the issuance of warrants-in-debt. As a result, the Treasurer’s office collected 98.14% of the current tax levy.

Coronavirus Aid, Relief, and Economic Security (CARES) funds were utilized to install a glass barrier across the front desk. This improvement was essential to provide a physical barrier to protect front line personnel from communicable disease, viruses, and germs. The department also purchased three laptop computers and associated software to provide for operation of the department remotely when necessary. The Department also purchased and integrated a voice over internet protocol (VOIP) phone system for all town facilities to replace a legacy landline phone system over twenty years old. This new system includes numerous options for remote office operations.

Cash Management

Cash temporarily idle during the year was invested in time deposits and various authorized money market instruments. The town’s investment activities are designed to obtain a higher yield on available funds consistent with constraints imposed by safety objectives, cash flow considerations, and state laws restricting the placement of funds. The amount of interest earned for FY 21 was \$17,497. This is a decrease from interest earned on temporary investments in FY 20 which totaled \$125,713.

The Treasurer’s Department also secured over \$74,000 in COVID-19 Municipal Utility Relief funds from the Department of Housing and Community Development to provide financial assistance to customers having difficulty paying utilities due to economic issues caused by the pandemic. Penalties and interest on past due accounts were also forgiven by the Town.

Reserve Policy

The governing body and its chief financial officers have long recognized the importance of maintaining a prudent level of fund balance to ensure that adequate reserves are available to respond to emergencies, provide cash flow, and provide overall financial stability. The Unassigned General Fund Reserve target is 10% of the budget to provide the Town with sufficient working capital and a margin of safety to address unforeseen, one-time emergency expenditures, or significant and unforeseen declines in revenue in a specific year. Unassigned Fund Balance in the general fund measured 83.10% of the General Fund budget for FY 20-21 and falls well within the policy guidelines established by Town Council.

Risk Management

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

Public Safety

The Wise Police Department works to provide professional law enforcement services to the citizens of the Town of Wise. The Department is committed to community policing, whereby officers spend time in personal contact with residents and business owners. The Department also provides on-demand crime prevention programs to citizens and organizations and sponsors the Wise Explorer Post Program. Due to suspension of in-school instruction and restrictions associated with the coronavirus, the Department did not conduct any school walk-throughs or presentations for the Head Start Program or the Wise Primary School; however, the Department assisted with school traffic twice daily when students returned to in-person instruction. Business bank deposit and funeral escorts are routinely provided and over 9,294 business security checks were completed providing opportunities for interaction with the police personnel. The Department also conducted traffic checkpoints during 13 selective enforcement events.

In carrying out its various law enforcement functions this past year, the police department handled over 31,909 requests, which led to the issuance of 194 summons and 80 arrests. Calls included reports of theft, vandalism, assault, juvenile crime, traffic accidents, family violence, and disabled motorist assists. The Department also completed 17,384 property checks.

This past year, the Department replaced one 2010 Impala cruiser and two 2011 Impala cruisers with three new sport utility vehicles to assure a reliable fleet of response vehicles. In addition, CARES funds were utilized to install partitions in police vehicles to separate officers in the front seat from detainees in the back seat. This safety measure protects officers from attack during transport and from exposure to air borne viruses.

Public Works

Much of the work performed by the Public Works Department involves routine maintenance. Utility crews answered 1,834 service calls during normal business hours and responded to 32 call-outs after hours. The Division installed 10 new water taps, 9 new sewer taps, and replaced 44 meters. Approximately 1,664 feet of new water line and 604 feet of new sewer line was also constructed. This past year, 1,965 feet of sewer line was filmed and tested. Personnel also responded to 572 requests for location and marking of underground utilities.

Water losses and associated revenue losses occur in all water utilities. The Town's public works department regularly audits water supplies and implements controls to keep system losses at reasonable levels. As a result of active resource management, the average monthly water loss through pipeline leakage was less than 5% in FY 21 which is well below the industry standard.

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

The Department is also responsible for the maintenance of various municipal properties including Dotson Park, Arrowhead Park, the swim facility, the Gateway Garden, Big Glades community square, Wise Town Hall, and the Wise Cemetery. The Department maintains outdoor shelters and structures, public restrooms, playground equipment, fencing, and trash receptacles. In addition, the Department mows the sites, waters all plantings in the central business district and gateways, and prunes trees and vegetation from all town right-of-way. This year the public works department continued work to cut and remove diseased trees from the cemetery to prevent damage to monuments and head stones.

In FY 21, the Street Department overlaid portions of seven roads in an effort to repair damage associated with the weather, wear and tear, and utility cuts. Maintenance of coal haul routes included the pavement of a portion of West Main Street and a portion of Lake Street. The Town continued work on a \$15M “Smart Scale” project to add additional travel lanes on Norton Road. Acquisition of right-of-way has been completed and construction is expected to begin in 2023.

Bids for construction of sidewalk improvements on a portion of Norton Road were solicited. Unfortunately, the lowest bid exceeded available funding by \$750,000. VDOT representatives are working with the Town to identify supplemental sources of funding to complete the project. Planned improvements include construction of new sidewalk, curb, and gutter, pavement milling, pavement overlay, and installation of ornamental street light fixtures from Main Street to Cherry Street.

Managing solid waste is always a key concern for any municipality. In FY 21, a four-person sanitation crew collected and transported 3,182 tons of waste to Wise County’s Blackwood Landfill. In addition, 20 dump truck loads of yard waste were collected and chipped.

Public works departments rely on various vehicles and equipment to perform their jobs. In order to maintain effective delivery of municipal services, during FY 21, a number of vehicles and equipment which had outlived their useful life were replaced as follows: a 2021 Kenworth single axle dump truck to replace a 1995 truck with over 205,000 miles, a new waterproof Verisight Pro mini camera system for pipeline inspection replaced a 1997 unit, a new scraper blade for the loader, and a new sweeper broom attachment for the skid steer.

The governing body entered into an agreement for the purchase of property and buildings in the Esserville Industrial Park (former Guyan Heavy Equipment Company) for relocation of the Public Works Department. Actual acquisition and renovation will take place in FY 22.

The State Revolving Fund (SRF) through the Virginia Department of Health was tapped to provide a \$119,000 grant to help finance a project to rehabilitate a 250,000 gallon water storage tank on Roberts Ave. Work included installing new interior and exterior coatings, new manway and ladder, and safety device upgrades. SCADA equipment monitoring water tanks was replaced and upgraded. The central business district was enhanced with new Christmas decorations and new banners.

Planning and Community Development

The Town of Wise is 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. The Town continues to assist businesses and individuals seeking to invest in Wise providing both information and services. An important part of the Town’s economic development initiative is its Enterprise

Zone program. Businesses located within the boundaries of the Enterprise Zone may qualify for State and local incentives.

The Tax Cut and Jobs Act of 2017 created Opportunity Zones to incentivize investment in targeted distressed communities. Those investing in a qualified Opportunity Zone via a “Qualified Opportunity Fund” can defer payment of federal taxes on any recent capital gains, reduce owed tax payments by 15%, and pay no taxes on gains earned from investment in an Opportunity Zone. The Town successfully secured a Virginia Qualified Opportunity Zone designation for specific census tracts. In FY 21, the Planning Department worked to obtain a grant from the Department of Housing and Community Development to develop a prospectus to market the zone. The Department also secured a grant from USDA Rural Development to prepare a strategic development plan for the Town.

Despite a challenging economic environment, the Town posted gains in business recruiting. At the beginning of the year, Wise had 218 established businesses and during FY 2021, 13 new businesses elected to locate in the Town. In addition, four permits were issued for the construction of new residences. The Planning Department has also worked to eliminate blight throughout the Town through enforcement of the Uniform Property Maintenance Code, local mowing ordinances, and litter regulations. Two properties were cited for Property Maintenance Code violations and six requests for mowing of property were issued.

The Planning Department completed work with the Virginia Department of Emergency Management and the Federal Emergency Management Agency on a Hazard Mitigation Assistance Project in Wise. Grant funds were used to fund the purchase and demolition of eleven flood-prone structures along Glade and Yellow creeks in Wise.

During the last fiscal year, the Planning Department also directed the adoption of two significant amendments of the Zoning Ordinance. One amendment provides guidelines for blasting in the corporate limits including notice to adjacent property owners, pre-blast surveys, and limits on maximum shot/second. This measure provides an additional layer of protection for local property owners while also accommodating developer needs.

With renewed interest in addiction treatment in Southwest Virginia, the Planning Department also worked to craft zoning regulations for approval of methadone and other controlled substance substitution programs in the Town. The ordinance amendment provides for Special Use Exceptions for said programs and review and approval by the Board of Zoning Appeals.

As part of an on-going effort to update the Comprehensive Plan, the department worked with UVA-Wise to develop and launch an electronic survey of students, faculty, and staff to provide input for further consideration. Staff also engaged with college focus groups and community stakeholders and collaborated with Heather Evans, endowed professor at UVA-Wise, on development of the Academic Community Engagement (ACE) program. This class credit program gets students off campus and introduces them to the greater community and all it has to offer. The intent is to build a bridge between the town and the college.

On March 11, 2021, President Biden signed into law, the American Rescue Plan Act (ARPA) to provide funding to localities to offset economic impacts from COVID-19 and to facilitate economic recovery. On June 30, 2021, the Town received its first allocation of \$1.5M under this program. An additional \$1.5M will be distributed to the Town by June 30, 2022. The Planning Department has

been working with staff and stakeholders to develop a list of projects eligible for funding including premium pay, revenue reduction replacement, and capital projects.

Parks and Recreation

January of 2021, saw the launch of a new youth baseball program at Dotson Park. Wise Youth Sports served as an umbrella organization for the Babe Ruth League, Cal Ripken Baseball, and the Bambino Buddy Ball program for special needs athletes. A Recreation Coordinator was retained to schedule use of facilities, provide for concessions, manage and maintain buildings and grounds, and organize and direct travel ball tournaments. Nearly 300 children participated in Wise Youth Sports and five tournaments were hosted with twenty teams from three states participating. The number of travel ball tournaments is expected to double next year, and the Wise Youth Sports Programs anticipates a 30% increase in participation. We have learned during the pandemic that recreation is important to the community for health and quality of life and the Town is renewing its commitment to this essential service.

To facilitate the growth of these programs a number of park improvements have been ongoing this year including installation of drainage structures, purchase of new concession equipment, construction of two additional parking lots, completion of a sixth field, lighting and electrical repairs, fencing and gates at various locations, two new dugouts, purchase of a new mower and trimmer, and a new storage building. Much of this progress would not have been possible without the partnership of Sykes Enterprises. In addition, the Virginia Department of Wildlife Resources provided a grant for the placement of eleven animal-proof trash receptacles in the park to minimize visitation by bears and human-bear conflicts.

FACTORS AFFECTING FUTURE FINANCIAL CONDITION

The economic condition and outlook for the Town of Wise is guarded as we begin to emerge from the challenges of the past eighteen months responding to the COVID-19 pandemic. Our attention is largely focused on rebuilding and on strengthening our community, businesses, households, and individuals. With robust support from the State and the Federal government through CARES, Town is in a relatively strong financial position.

The Federal government is now providing direct and significant financial aid to every locality in the nation through ARPA. Grant funding for a plethora of other state and federal programs is also available. The governing body's foresight in maintaining a healthy fund balance has eased cash flow pressures brought on by the pandemic and now provides local match money for grants. We have a unique opportunity to access funds that could transform many aspects of our community.

The worldwide COVID-19 pandemic disrupted every aspect of our lives for the past eighteen months and demands on local government employees have been significant. The work of our employees to ensure essential services continued without disruption has been exceptional. Moving forward, it will be important to recognize this effort especially in view of surges in early retirement, increased competition for labor, decreased labor pool, and increasing base wages.

In the future, balancing funding for existing programs and the needs for capital improvements with taxpayer affordability will continue to be a difficult exercise. We hope to leverage new workforce training programs and economic development initiatives to build positive momentum. Strategic

objectives are to remain a steady dependable performer for the citizens and to have reserves in place to support and take advantage of new opportunities for business investment.

It is a privilege to serve as your Town Manager. The progress summarized in this annual transmittal comes from the hard work of your dedicated employees. We each take great pride in this community and strive to keep Wise an economic, educational, and cultural center for the region.

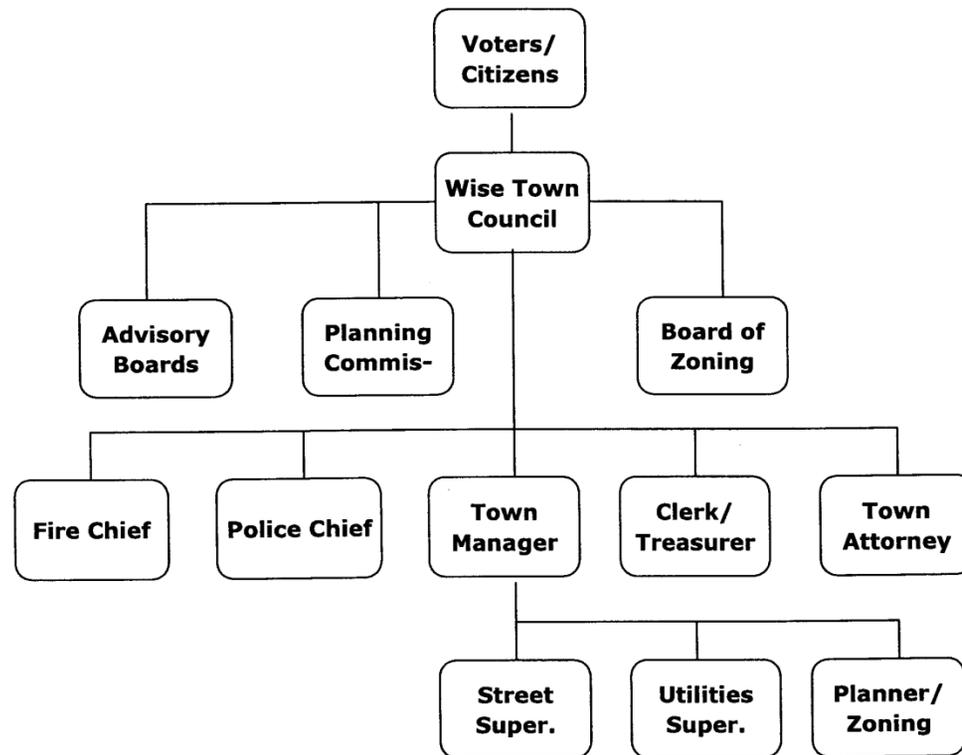
MEMBERS OF COUNCIL

Teresa H. Adkins, Mayor
Laura Taylor-Baugh, Vice-Mayor
Caynor A. Smith, Jr.
Jeffery Dotson
Ben Conway

OTHER TOWN OFFICIALS

Beverly Owens, Town Manager
Robin Meade, Town Treasurer
Danny French, Chief of Police

Town of Wise Organizational Chart



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
TELEPHONE (276) 328-9593 FAX (276) 328-2131
email: lsturgill@larrydsturgillcpa.com

MEMBER
TENNESSEE & VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the business-type activities, of the Town of Wise, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audit of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities, of the Town of Wise, Virginia, as of June 30, 2021, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-10 and 67-72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2021, on our consideration of the Town of Wise, Virginia internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Wise, Virginia internal control over financial reporting and compliance.

Larry D. Sturgill, P.C.
Wise, Virginia
November 19, 2021

Town of Wise, Virginia Management's Discussion and Analysis

As management of the Town, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021. I encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal in the Introductory Section of this report, and the Town's financial statements which follow this discussion and analysis.

Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$30,817,516 (net position). Of this amount, \$9,088,229 (unrestricted) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$3,027,720 of which the governmental activities increased by \$2,978,446 and business-type activities increased by \$49,274.
- As of the close of the current fiscal year; the Town's general fund reported an ending fund balance of \$10,513,321, an increase of \$2,216,672 in comparison with the prior year. \$8,559,012 of this total amount is available for spending at the Town's discretion (unassigned fund balance).
- Unassigned fund balance for the general fund was \$8,559,012, or 189% percent of total general fund expenditures and 127% of total general fund revenues.
- The Town's total debt decreased by \$89,045 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Analysis of the Town

Changes in net position may serve over time as a useful indicator of a Town's financial position. Of interest, the Town's assets and deferred outflows exceeded liabilities and deferred inflows by \$30,817,516 at the close of fiscal year 2021.

The largest portion of the Town's net position (\$18,961,098; 62 percent of the total) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide service to citizens: consequently, these assets are *not* available for future spending, as capital assets are generally not sold or otherwise disposed of during their useful life. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-wide Financial Analysis

| <u>Town of Wise, Virginia's Net Position</u> | <u>Primary Governmental Activities</u> | |
|--|--|---------------------|
| | <u>2021</u> | <u>2020</u> |
| <u>ASSETS & DEFERRED OUTFLOWS:</u> | | |
| Current and other assets | \$13,362,691 | \$ 10,781,771 |
| Capital assets, net | 20,492,835 | 19,894,942 |
| Other Noncurrent assets | 800,455 | 800,000 |
| Deferred Outflows | <u>1,092,486</u> | <u>952,543</u> |
| Total assets & deferred outflows | <u>35,748,467</u> | <u>32,429,556</u> |
| <u>LIABILITIES & DEFERRED INFLOWS:</u> | | |
| Current liabilities | 589,055 | 781,903 |
| Long-term liabilities outstanding | 4,185,245 | 3,626,381 |
| Deferred Inflows | <u>156,651</u> | <u>231,176</u> |
| Total liabilities & deferred inflows | <u>4,930,951</u> | <u>4,639,460</u> |
| <u>NET POSITION:</u> | | |
| Net investment in capital assets | 18,961,098 | 18,274,160 |
| Restricted | 2,768,189 | 1,251,236 |
| Unrestricted | <u>9,088,229</u> | <u>8,264,400</u> |
| Total net position | <u>30,817,516</u> | <u>27,789,796</u> |
| Total Liabilities, Deferred Inflows, And Net Position | <u>\$35,748,467</u> | <u>\$32,429,256</u> |

Government-wide Financial Analysis (Continued)

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

Governmental Activities – Primary Governmental activities increased the Town’s net position by \$3,027,720. Key elements of this increase are as follows:

| Town of Wise, Virginia’s Change in Net Position | | |
|--|---|-----------------------------|
| | <u>Primary Governmental Activities</u> | |
| | <u>2021</u> | <u>2020</u> |
| REVENUES: | | |
| Program revenues: | | |
| Charges for services | \$ 3,361,766 | \$ 3,352,731 |
| Grants and contributions | 3,414,442 | 1,285,675 |
| General Revenues: | | |
| Property taxes | 787,443 | 780,600 |
| Other Local taxes | 2,364,742 | 2,197,011 |
| Other | 46,226 | 173,157 |
| TOTAL REVENUES | <u>\$ 9,974,619</u> | <u>\$ 7,789,174</u> |
| EXPENSES: | | |
| General government | \$ 676,324 | \$ 569,317 |
| Public safety | 1,288,478 | 1,232,506 |
| Public works | 1,431,456 | 1,449,410 |
| Health and welfare | 5,659 | 5,897 |
| Parks, recreation and culture | 310,770 | 207,672 |
| Community development | 192,406 | 211,691 |
| Interest Expense | - | - |
| Water and Sewer | 3,041,806 | 3,020,736 |
| TOTAL EXPENSES | <u>\$ 6,946,899</u> | <u>\$ 6,697,229</u> |
| Increase (decrease) in net position | \$ 3,027,720 | \$ 1,091,945 |
| Net position – June 30, 2020 | <u>27,789,796</u> | <u>26,697,851</u> |
| Net position – June 30, 2021 | <u>\$ 30,817,516</u> | <u>\$ 27,789,796</u> |

Financial Analysis of the Town's Funds

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

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

At the end of the current fiscal year, the Town's *governmental fund* reported an ending fund balance of \$10,526,747, an increase of \$2,216,672 in comparison with the prior year. \$1,520,938 (14%) is classified as restricted to indicate that it can only be spent for specific purposes as stipulated by external resource providers (for example, through debt covenants, grant agreements, or by laws or regulations of other governments. Eighty-one percent of this total amount, \$8,559,012, constitutes *unassigned fund balance*. Unassigned fund balances are technically available for any remaining purpose, but are maintained at targeted levels in accordance with sound financial management practices.

The General Fund is the operating fund of the Town (Exhibit 3). The General Fund's balance increased \$2,216,672 during fiscal year 2021 to \$10,513,321, of which \$8,559,012 is unassigned. As one measure of the General Fund's liquidity, it is useful to compare the total of the Town's assigned and unassigned fund balances to total revenues. At the end of fiscal year 2021, the General Fund's assigned and unassigned fund balances of \$10,513,321 represents (156%) of total General Fund revenues of \$6,734,995. In addition, General Fund's unassigned fund balance totaled \$8,559,012 and continues to exceed the 10% minimum set by the Town's fund balance policy. The \$2,216,672 fiscal year 2021 increase in the General Fund's fund balance resulted from General Fund revenues of \$6,734,995 less expenditures of \$4,518,323, and was primarily the result of revenue increase from grants and contributions received from the federal and state government as shown on Exhibit 4 to the financial statements.

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

Governmental Fund Budgetary Highlights

Differences between the budgeted and the actual amounts represent expenditures being \$4,388,997 lower than anticipated, while revenues were \$2,172,325 lower than anticipated, resulting in a favorable difference of \$2,216,672 (the net change in fund balance).

Capital Asset and Debt Administration

Capital assets: The Town's investment in capital assets for its primary governmental activities as of June 30, 2021 amounts to \$18,961,098, net of related debt and accumulated depreciation. This investment is in land, buildings and improvements, infrastructure, and machinery and equipment. The total increase in the Town's investment in capital assets, net of depreciation, for all funds in the current fiscal year was \$597,893.

| <u>Town of Wise, Virginia's Change in Capital Assets</u> | | |
|---|---|----------------------|
| | <u>Primary Governmental Activities</u> | |
| | <u>2021</u> | <u>2020</u> |
| Land | \$ 2,988,392 | \$ 2,287,892 |
| Buildings and Building Improvements | 3,254,972 | 3,248,572 |
| Infrastructure | 28,691,299 | 27,962,744 |
| Equipment | <u>5,136,216</u> | <u>4,788,653</u> |
| Total | 40,070,879 | 38,287,861 |
| Less: accumulated depreciation | <u>(19,578,044)</u> | <u>(18,392,919)</u> |
| Net capital assets | <u>\$20,492,835</u> | <u>\$ 19,894,942</u> |

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

Long-term debt: At the end of the current fiscal year, the Town had total primary government debt outstanding of \$1,531,737, in addition to claims, judgments, and compensated absences of \$164,220. Of this amount, \$1,531,737 comprises debt backed by the full faith and credit of the Town.

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

During the current fiscal year, the Town's total primary government debt decreased by \$89,045.

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

Economic Factors and Next Year's Budgets and Rates

- The June 2021 unemployment rate for the local area was 6.4% percent, which is a decrease from a rate of 9.4% percent a year ago. This is higher than the state's average unemployment rate of 4.3% percent by 2.1 percent and higher than the national average rate of 5.9% by 0.5 percent.

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

Rates

The appropriate tax rates for the 2020-2021 year are as follows: .30 per \$100 value for real estate, mobile home taxes, and public utilities real estate, .63 per \$100 value for personal property, machinery and tools, and public service personal property.

Request for Information

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

TOWN OF WISE, VIRGINIA
STATEMENT OF NET POSITION
JUNE 30, 2021

| | <u>Primary Government</u> | | Total Primary Governmental Activities |
|---|------------------------------------|-------------------------------------|--|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | |
| ASSETS | | | |
| Current assets: | | | |
| Cash and Cash Equivalents | \$ 7,934,436 | \$ 1,923,972 | \$ 9,858,408 |
| Receivables, net | | | |
| Taxes | 164,491 | - | 164,491 |
| Accounts | 66,398 | 494,412 | 560,810 |
| Other | 12 | - | 12 |
| Due from Other Governmental Units | 103,000 | 1,700 | 104,700 |
| Restricted Cash | <u>2,567,735</u> | <u>106,535</u> | <u>2,674,270</u> |
| Total current assets | 10,836,072 | 2,526,619 | 13,362,691 |
| Noncurrent assets: | | | |
| Restricted cash | - | 800,455 | 800,455 |
| Capital assets: | | | |
| Land, non-depreciable improvements, and construction in progress | 2,692,392 | 296,000 | 2,988,392 |
| Other capital assets, net of depreciation | <u>8,151,329</u> | <u>9,353,114</u> | <u>17,504,443</u> |
| Total capital assets | 10,843,721 | 9,649,114 | 20,492,835 |
| Total assets | <u>21,679,793</u> | <u>12,976,188</u> | <u>34,655,981</u> |
| DEFERRED OUTFLOWS | | | |
| Pension Plan | 505,320 | 505,320 | 1,010,640 |
| OPEB | <u>62,122</u> | <u>19,724</u> | <u>81,846</u> |
| Total deferred outflows | 567,442 | 525,044 | 1,092,486 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 205,658 | 43,230 | 248,888 |
| Accrued liabilities and wages | 85,968 | 41,066 | 127,034 |
| Compensated Absences | 10,160 | 6,261 | 16,421 |
| Customer deposits | - | 106,535 | 106,535 |
| General Obligation Bonds Payable | <u>-</u> | <u>90,177</u> | <u>90,177</u> |
| Total current liabilities | 301,786 | 287,269 | 589,055 |
| Noncurrent liabilities: | | | |
| Noncurrent Portion of Compensated Absences | 91,450 | 56,349 | 147,799 |
| Other Post Employment Benefit Liability | 649,657 | 86,446 | 736,103 |
| Net Pension Liability | 920,921 | 920,920 | 1,841,841 |
| Accrued Interest | - | 17,942 | 17,942 |
| Noncurrent Portion of Long-term Obligation | <u>-</u> | <u>1,441,560</u> | <u>1,441,560</u> |
| Total noncurrent liabilities | 1,662,028 | 2,523,217 | 4,185,245 |
| Total liabilities | <u>1,963,814</u> | <u>2,810,486</u> | <u>4,774,300</u> |
| DEFERRED INFLOWS | | | |
| Advanced Utility Collections | - | 51,620 | 51,620 |
| Pension Plan | 15,176 | 15,176 | 30,352 |
| OPEB | <u>63,663</u> | <u>11,016</u> | <u>74,679</u> |
| Total deferred inflows | 78,839 | 77,812 | 156,651 |
| NET POSITION | | | |
| Net investment in capital assets | 10,843,721 | 8,117,377 | 18,961,098 |
| Restricted-cemetery savings | 446,796 | - | 446,796 |
| Restricted-American Rescue Plan Act | 1,507,512 | - | 1,507,512 |
| Restricted-debt reserves | - | 800,455 | 800,455 |
| Restricted - VRS reserves | 600,000 | - | 600,000 |
| Restricted-asset forfeiture | 13,426 | - | 13,426 |
| Unrestricted | <u>6,793,127</u> | <u>1,695,102</u> | <u>8,488,229</u> |
| Total net position | <u>\$ 20,204,582</u> | <u>\$ 10,612,934</u> | <u>\$ 30,817,516</u> |

The accompanying notes are an integral part of the financial statements

**TOWN OF WISE, VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-Type Activities | Total |
| Primary government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| General government administration | \$ 676,324 | \$ - | \$ 1,619,753 | \$ 4,500 | \$ 947,929 | \$ - | \$ 947,929 |
| Public safety | 1,288,478 | 2,881 | 103,808 | 7,396 | (1,174,393) | - | (1,174,393) |
| Public works | 1,431,456 | 287,124 | 582,567 | 863,593 | 301,828 | - | 301,828 |
| Health & welfare | 5,659 | - | - | - | (5,659) | - | (5,659) |
| Parks, recreation and cultural | 310,770 | 64,607 | - | 8,098 | (238,065) | - | (238,065) |
| Community development | 192,406 | - | - | - | (192,406) | - | (192,406) |
| Interest & fiscal charges | - | - | - | - | - | - | - |
| Total governmental activities | <u>3,905,093</u> | <u>354,612</u> | <u>2,306,128</u> | <u>883,587</u> | <u>(360,766)</u> | <u>-</u> | <u>(360,766)</u> |
| Business-type Activities: | | | | | | | |
| Water | 1,591,813 | 1,576,576 | - | 152,607 | - | 137,370 | 137,370 |
| Sewer | 1,457,575 | 1,430,578 | - | 72,120 | - | 45,123 | 45,123 |
| Total business-type activities | <u>3,049,388</u> | <u>3,007,154</u> | <u>-</u> | <u>224,727</u> | <u>-</u> | <u>182,493</u> | <u>182,493</u> |
| Total primary government | <u>\$ 6,954,481</u> | <u>\$ 3,361,766</u> | <u>\$ 2,306,128</u> | <u>\$ 1,108,314</u> | <u>(360,766)</u> | <u>182,493</u> | <u>\$ (178,273)</u> |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property Taxes, levied for general purposes | | | | | 787,443 | - | 787,443 |
| Utility Taxes | | | | | 89,586 | - | 89,586 |
| Mineral Taxes | | | | | 15,521 | - | 15,521 |
| Franchise Taxes | | | | | 2,674 | - | 2,674 |
| Local Sales & Use Taxes | | | | | 139,784 | - | 139,784 |
| Other Local Taxes | | | | | 2,107,262 | - | 2,107,262 |
| Investment Income | | | | | 9,915 | 7,582 | 17,497 |
| Operating transfers and adjustments | | | | | 137,398 | (137,398) | - |
| Gain/(Loss) from Property Disposal | | | | | - | (3,403) | (3,403) |
| Other | | | | | 49,629 | - | 49,629 |
| Total general revenues and transfers | | | | | <u>3,339,212</u> | <u>(133,219)</u> | <u>3,205,993</u> |
| Change in Net Position | | | | | 2,978,446 | 49,274 | 3,027,720 |
| Net position - beginning | | | | | 17,226,136 | 10,563,660 | 27,789,796 |
| Net position - ending | | | | | <u>\$ 20,204,582</u> | <u>\$ 10,612,934</u> | <u>\$ 30,817,516</u> |

The accompanying notes are an integral part of the financial statements

**TOWN OF WISE, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2021**

| | General Fund | Special Revenue Funds | Total |
|--|-------------------------|--------------------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 7,934,436 | \$ - | \$ 7,934,436 |
| Receivables, net: | | | |
| Taxes | 164,491 | - | 164,491 |
| Accounts | 66,398 | - | 66,398 |
| Other | 12 | - | 12 |
| Due from other governments | 103,000 | - | 103,000 |
| Restricted cash | 2,554,309 | 13,426 | 2,567,735 |
| Total assets | <u>10,822,646</u> | <u>13,426</u> | <u>10,836,072</u> |
| LIABILITIES | | | |
| Accounts payable | 205,658 | - | 205,658 |
| Accrued payroll and related liabilities | 85,967 | - | 85,967 |
| Total liabilities | <u>291,625</u> | <u>-</u> | <u>291,625</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property taxes receivable | 17,700 | - | 17,700 |
| Total deferred inflows of resources | <u>17,700</u> | <u>-</u> | <u>17,700</u> |
| FUND BALANCES | | | |
| Nonspendable for cemetery | 446,797 | - | 446,797 |
| Restricted - VRS Reserves | 600,000 | - | 600,000 |
| Restricted for American Rescue Plan Act | 1,507,512 | - | 1,507,512 |
| Restricted for asset forfeiture | - | 13,426 | 13,426 |
| Unassigned funds | 7,959,012 | - | 7,959,012 |
| Total fund balances | <u>10,513,321</u> | <u>13,426</u> | <u>10,526,747</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 10,822,646</u> | <u>\$ 13,426</u> | <u>\$ 10,836,072</u> |
| Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because: | | | |
| Total Fund Balances | \$ 10,526,747 | | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds. The cost of the assets is \$20,368,712 and the accumulated depreciation is \$9,524,992 | 10,843,720 | | |
| Because the focus of governmental funds is on current resources, some inflows/outflows of resources are recognized in future periods and are not included in the governmental funds. | 506,303 | | |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consisted of the following: | | | |
| Other Post Employment Liability (649,657) | | | |
| Compensated absences (101,610) | | | |
| Net pension liability (920,921) | (1,672,188) | | |
| Net Position of Governmental Activities | <u>\$ 20,204,582</u> | | |

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

TOWN OF WISE, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

EXHIBIT 4

| | General Fund | Special Revenue Funds | Total |
|--|-------------------------|--------------------------------------|----------------------|
| REVENUES | | | |
| General property taxes | \$ 786,796 | \$ - | \$ 786,796 |
| Other local taxes | 2,208,825 | - | 2,208,825 |
| Permits, privilege fees and regulatory licenses | 525 | - | 525 |
| Fines and forfeitures | 2,881 | - | 2,881 |
| Revenue from the use of money and property | 9,915 | - | 9,915 |
| Charges for services | 342,731 | - | 342,731 |
| Miscellaneous | 47,605 | - | 47,605 |
| Intergovernmental | <u>3,335,717</u> | <u>-</u> | <u>3,335,717</u> |
| Total revenues | <u>6,734,995</u> | <u>-</u> | <u>6,734,995</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government administration | 597,635 | - | 597,635 |
| Public safety | 1,257,913 | - | 1,257,913 |
| Public works | 2,298,991 | - | 2,298,991 |
| Health & Welfare | 5,659 | - | 5,659 |
| Parks, recreation and cultural | 257,203 | - | 257,203 |
| Community development | 100,922 | - | 100,922 |
| Debt Service: | | | |
| Principal Retirement | - | - | - |
| Interest | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>4,518,323</u> | <u>-</u> | <u>4,518,323</u> |
| Excess (deficiency) of revenues over expenditures | <u>2,216,672</u> | <u>-</u> | <u>2,216,672</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Loan proceeds | - | - | - |
| Operating transfers | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | 2,216,672 | - | 2,216,672 |
| Fund balance - beginning | <u>8,296,649</u> | <u>13,426</u> | <u>8,310,075</u> |
| Fund balance - ending | <u>\$ 10,513,321</u> | <u>\$ 13,426</u> | <u>\$ 10,526,747</u> |

The accompanying notes are an integral part of the financial statements

**TOWN OF WISE, VIRGINIA
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

EXHIBIT 5

**General
Fund**

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

| | |
|--|---------------------|
| Net Change in Fund Balance- total governmental fund | \$ 2,216,672 |
| Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation in the period. | 975,919 |
| Because some property taxes will not be collected for several months after the Town's year end, they are not considered as "available" revenues in the governmental funds. Deferred tax revenue increased by this amount this year. | 647 |
| In the statement of activities, revenues that do not provide current financial resources and expenses that are not paid by current resources are not reported in the fund statements. | (198,902) |
| In the statement of activities, compensated absences are measured by the amounts earned during the year. In governmental funds however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used. | <u>(15,890)</u> |
| Total change in net position of governmental activities | <u>\$ 2,978,446</u> |

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

TOWN OF WISE, VIRGINIA
COMBINED STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2021

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Combined Totals 2021</u> |
|---|-----------------------|-----------------------|-------------------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash & cash equivalents | \$ 942,933 | \$ 981,039 | \$ 1,923,972 |
| Receivables, net | 239,362 | 255,050 | 494,412 |
| Due from other Governmental Units | 1,700 | - | 1,700 |
| Restricted cash | <u>106,535</u> | <u>-</u> | <u>106,535</u> |
| Total current assets | <u>1,290,530</u> | <u>1,236,089</u> | <u>2,526,619</u> |
| Noncurrent Assets: | | | |
| Restricted cash | 800,455 | - | 800,455 |
| Capital assets, depreciable, net | 8,410,664 | 942,450 | 9,353,114 |
| Capital assets, non-depreciable | <u>209,750</u> | <u>86,250</u> | <u>296,000</u> |
| Total noncurrent assets | <u>9,420,869</u> | <u>1,028,700</u> | <u>10,449,569</u> |
| Total assets | <u>\$ 10,711,399</u> | <u>\$ 2,264,789</u> | <u>\$ 12,976,188</u> |
| DEFERRED OUTFLOWS | | | |
| Pension Plan | 252,660 | 252,660 | 505,320 |
| Other Postemployment Benefits | <u>9,862</u> | <u>9,862</u> | <u>19,724</u> |
| Total deferred outflows | <u>262,522</u> | <u>262,522</u> | <u>525,044</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 32,699 | 10,531 | 43,230 |
| Accrued wages and liabilities | 25,850 | 15,216 | 41,066 |
| Customer deposits | 106,535 | - | 106,535 |
| Compensated absences-current | 3,258 | 3,003 | 6,261 |
| General obligation bonds payable-current | <u>90,177</u> | <u>-</u> | <u>90,177</u> |
| Total current liabilities | <u>258,519</u> | <u>28,750</u> | <u>287,269</u> |
| Noncurrent liabilities: | | | |
| Compensated Absences-noncurrent | 29,322 | 27,027 | 56,349 |
| Net Pension Liability | 460,460 | 460,460 | 920,920 |
| Net OPEB Liability | 43,223 | 43,223 | 86,446 |
| Accrued interest | 17,942 | - | 17,942 |
| General obligation bonds payable-noncurrent | <u>1,441,560</u> | <u>-</u> | <u>1,441,560</u> |
| Total noncurrent liabilities | <u>1,992,507</u> | <u>530,710</u> | <u>2,523,217</u> |
| Total liabilities | <u>2,251,026</u> | <u>559,460</u> | <u>2,810,486</u> |
| DEFERRED INFLOWS | | | |
| Advanced Utility Collections | 51,620 | - | 51,620 |
| Pension Plan | 7,588 | 7,588 | 15,176 |
| Oter Postemployment Benefits | <u>5,508</u> | <u>5,508</u> | <u>11,016</u> |
| Total deferred inflows | <u>64,716</u> | <u>13,096</u> | <u>77,812</u> |
| NET POSITION | | | |
| Net investment in capital assets | 7,088,677 | 1,028,700 | 8,117,377 |
| Restricted-debt reserves | 800,455 | - | 800,455 |
| Unrestricted | <u>769,047</u> | <u>926,055</u> | <u>1,695,102</u> |
| Total net position | <u>\$ 8,658,179</u> | <u>\$ 1,954,755</u> | <u>\$ 10,612,934</u> |

The accompanying notes are an integral part of the financial statements

**TOWN OF WISE, VIRGINIA
COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021**

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Combined Totals 2021</u> |
|---|-----------------------|-----------------------|-------------------------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 1,461,411 | \$ 1,415,085 | \$ 2,876,496 |
| Connection charges | 50,291 | 3,250 | 53,541 |
| Miscellaneous | 64,874 | 12,243 | 77,117 |
| Total operating revenues | <u>1,576,576</u> | <u>1,430,578</u> | <u>3,007,154</u> |
| OPERATING EXPENSES | | | |
| Personnel services | 459,544 | 340,097 | 799,641 |
| Fringe benefits | 368,883 | 242,240 | 611,123 |
| Contractual services | 38,239 | 27,003 | 65,242 |
| Utilities & Telephone | 61,410 | 10,703 | 72,113 |
| Materials & Supplies | 153,470 | 54,567 | 208,037 |
| Other charges | 78,596 | 643,348 | 721,944 |
| Depreciation | 385,716 | 139,617 | 525,333 |
| Total operating expenses | <u>1,545,858</u> | <u>1,457,575</u> | <u>3,003,433</u> |
| Operating income (loss) | <u>30,718</u> | <u>(26,997)</u> | <u>3,721</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Miscellaneous Income | - | - | - |
| Interest Income/(Expense) | (38,373) | - | (38,373) |
| Gain (Loss) on Sale of Assets | (3,403) | - | (3,403) |
| Total nonoperating revenue (expenses) | <u>(41,776)</u> | <u>-</u> | <u>(41,776)</u> |
| Income (loss) before contributions and transfers | (11,058) | (26,997) | (38,055) |
| Operating Transfer In/(Out) | (137,398) | - | (137,398) |
| Contribution from Other Governmental Units | 152,607 | 72,120 | 224,727 |
| Change in net position | 4,151 | 45,123 | 49,274 |
| Total net position, beginning | <u>8,654,028</u> | <u>1,909,632</u> | <u>10,563,660</u> |
| Total net position, ending | <u>\$ 8,658,179</u> | <u>\$ 1,954,755</u> | <u>\$ 10,612,934</u> |

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

**TOWN OF WISE, VIRGINIA
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021**

| | Water Fund | Sewer Fund | Combined Total 2020 |
|--|---------------|---------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ 1,541,982 | \$ 1,352,555 | \$ 2,894,537 |
| Cash payments to suppliers | (357,115) | (737,160) | (1,094,275) |
| Cash payments to employees | (745,307) | (499,601) | (1,244,908) |
| Other operating revenues | 64,874 | 12,243 | 77,117 |
| Net cash provided (used) by operating activities | 504,434 | 128,037 | 632,471 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Penalties and interest charges | - | - | - |
| Increase (decrease) in customer deposits | 1,700 | - | 1,700 |
| Net cash provided (used) by noncapital financing activities | 1,700 | - | 1,700 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition of capital assets | (179,531) | (108,577) | (288,108) |
| Loan proceeds | 84,194 | - | 84,194 |
| Principal paid on revenue bond | (173,239) | - | (173,239) |
| Interest paid on revenue bonds | (38,047) | - | (38,047) |
| Interfund transfer | - | - | - |
| Sale of Equipment | - | - | - |
| Contributions and Grants | 152,607 | 72,120 | 224,727 |
| Net cash provided (used) by capital and related financing activities | (154,016) | (36,457) | (190,473) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest and dividends on investments | 7,140 | - | 7,140 |
| Net cash provided (used) by investing activities | 7,140 | - | 7,140 |
| Net increase (decrease) in cash and cash equivalents | 359,258 | 91,580 | 450,838 |
| Cash balances, beginning | 1,490,665 | 889,459 | 2,380,124 |
| Cash balances, ending | \$ 1,849,923 | \$ 981,039 | \$ 2,830,962 |

Disclosure of Accounting Policy

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

**TOWN OF WISE, VIRGINIA
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021**

**EXHIBIT 8
Page 2**

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Total 2020</u> |
|--|-----------------------|-----------------------|-----------------------|
| Reconciliation of operating income (loss) to net cash provided by operating activities | | | |
| Operating income (loss) | \$ 30,718 | \$ (26,997) | \$ 3,721 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | |
| Depreciation | 385,716 | 139,617 | 525,333 |
| Change in Assets & Liabilities: | | | |
| (Increase) decrease in accounts receivable | (21,340) | (65,780) | (87,120) |
| Increase (Decrease) in accounts payable | (25,400) | (1,539) | (26,939) |
| Increase (Decrease) in accrued wages & liabilities | 2,243 | 369 | 2,612 |
| Increase (Decrease) in accrued vacation | 4,048 | 5,538 | 9,586 |
| Increase (Decrease) in deferred Utility Revenue | 51,620 | - | 51,620 |
| Increase (Decrease) in net pension liability | 147,602 | 147,602 | 295,204 |
| Increase (Decrease) in net OPEB liability | (1,690) | (1,690) | (3,380) |
| Increase (Decrease) in pension plan deferrals | (68,994) | (68,994) | (137,988) |
| Increase (Decrease) in OPEB deferrals | (89) | (89) | (178) |
| Total adjustments | <u>473,716</u> | <u>155,034</u> | <u>628,750</u> |
| Net cash provided by operating activities | <u>\$ 504,434</u> | <u>\$ 128,037</u> | <u>\$ 632,471</u> |

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government reports the following major governmental funds:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

D. Budgets and Budgetary Accounting

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

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

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

E. Encumbrances

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

F. Property, Plant and Equipment

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

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

G. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$66,166 at June 30, 2021, and is composed of the following:

| | <u>Amount</u> |
|-------------------------|------------------|
| <u>General Fund:</u> | |
| Property Tax Receivable | \$ 10,005 |
| Garbage Receivable | 5,693 |
| <u>Water Fund:</u> | |
| Accounts Receivable | 22,129 |
| <u>Sewer Fund:</u> | |
| Accounts Receivable | 28,339 |
| TOTAL | <u>\$ 66,166</u> |

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: CASH AND INVESTMENTS

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

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

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

NOTE 3: PROPERTY TAXES RECEIVABLE

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

NOTE 4: DUE FROM OTHER GOVERNMENTAL UNITS

| | <u>Amount</u> | <u>Total</u> |
|--------------------------------------|---------------|-----------------------|
| <u>Treasurer of Wise County:</u> | | |
| Sales Tax | \$ 34,062 | |
| Wise County Clerk of Court | 572 | |
| Coal Road Improvement | <u>3,434</u> | |
| Total Treasurer of Wise County | | \$ <u>38,068</u> |
| <u>Commonwealth of Virginia:</u> | | |
| Miscellaneous Taxes | <u>64,206</u> | |
| Total Commonwealth of Virginia | | <u>64,206</u> |
| <u>Federal Agencies:</u> | | |
| Environmental Protection Agency | 1,700 | |
| Department of Transportation | <u>726</u> | |
| Total Federal Agencies | | <u>2,426</u> |
| TOTAL DUE | | <u>\$ 104,700</u> |

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town currently has deferred outflows totaling \$1,092,486 as of June 30, 2021 which is comprised of \$1,010,640 for pensions and \$81,846 for other post-employment benefits (OPEB).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has deferred inflows totaling \$174,351 as of June 30, 2021. \$17,700 of that amount includes uncollected tax billings not available for funding of current expenditures, \$30,352 represents the amounts that will be recognized in future periods for pensions, \$74,679 represents amounts that will be recognized in future periods for OPEB, and \$51,620 represents amounts that will be recognized in future periods for utility revenue.

NOTE 6: CHANGES IN GENERAL CAPITAL ASSETS

A summary of changes in general fixed assets follows:

| | BEGINNING | ADDITIONS | DELETIONS | ENDING |
|--------------------------------|-------------------|------------------|--------------|---------------------|
| Land, non-depreciable | \$ 1,991,893 | \$ 700,500 | \$ - | \$ 2,692,393 |
| Buildings | 2,959,313 | 6,400 | - | 2,965,713 |
| Infrastructure | 10,614,491 | 583,607 | - | 11,198,098 |
| Equipment | 3,147,212 | 369,916 | 4,619 | 3,512,509 |
| TOTAL | 18,712,909 | 1,660,423 | 4,619 | 20,368,713 |
| Less: Accumulated Depreciation | | | | (9,524,992) |
| NET | | | | \$10,843,721 |

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

| | |
|-------------------------------|-------------------|
| General government | \$ 9,180 |
| Public Safety | 84,731 |
| Public Works | 420,998 |
| Parks, Recreation, & Cultural | 88,923 |
| Community Development | 80,672 |
| Total depreciation expense | <u>\$ 684,504</u> |

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7: PROPRIETARY CAPITAL ASSETS

A summary of proprietary fund property, plant and equipment at June 30, 2021 follows:

| | Water | Sewer |
|-----------------------------------|---------------------|---------------------|
| Land | \$ 209,750 | \$ 86,250 |
| Buildings | 208,522 | 80,736 |
| Improvements other than Buildings | 12,684,342 | 4,808,859 |
| Equipment | 1,046,186 | 577,521 |
| TOTAL | 14,148,800 | 5,553,366 |
| Less: Accumulated Depreciation | (5,528,386) | (4,524,666) |
| NET | \$ 8,620,414 | \$ 1,028,700 |

NOTE 8: LONG-TERM DEBT

Details of Long-Term Indebtedness:

| | <u>AMOUNT OUTSTANDING</u> |
|---|-------------------------------|
| GOVERNMENTAL FUND: | |
| Total Compensated Absences | \$ 101,610 |
| Total Governmental Long-term Obligation Debt | <u>\$ 101,610</u> |
| ENTERPRISE FUND: | |
| General Obligation Bonds: | |
| A \$1,204,200 General Obligation Refunding Bond was issued August 4, 2016 through Powell Valley National Bank at a rate of 2.25% per year. Semi-annual installments of combined principal and interest in the amount averaging \$47,500 shall be payable beginning on February 1, 2017. | \$ 884,200 |
| A \$750,000 General Obligation Water Bond was issued April 26, 2011, through Rural Development Authority at a rate of 2.50% per year. Interest only shall be payable on August 9, 2012, and August 9, 2013. Monthly installments of combined principal and interest in the amount of \$2,550 shall be payable beginning on September 9, 2013. | 647,537 |
| A \$104,700 General Obligation Water Bond was issued December 13, 2019, through Virginia Resources Authority at a rate of 2.50% per year. Semi-annual installments of combined principal and interest shall be payable on January 1 and July 1. Maturity date is July 1, 2050. | <u>-</u> |
| Total General Obligation Bonds | 1,531,737 |
| Total Compensated Absences | <u>62,610</u> |
| Total Enterprise Long-term obligation Debt | <u>\$ 1,594,347</u> |

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8: LONG-TERM DEBT (continued)

Changes in Long-Term Debt:

The following is a summary of long-term debt transactions of the Town for the Year ended June 30, 2021:

| Primary Government | Balance 7/1/2020 | Additions | Reductions | Balance 6/30/2021 | Due Within One Year |
|--|---------------------|-----------|------------|----------------------|---------------------------|
| <u>Governmental Activities:</u> | | | | | |
| N/A | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Governmental Activities | - | - | - | - | - |
| <u>Business-Type Activities:</u> | | | | | |
| General Obligation Refunding-Series 2016 | 958,100 | - | 73,900 | 884,200 | 75,600 |
| General Obligation Bond-Series 2011B | 661,755 | - | 14,218 | 647,537 | 14,577 |
| General Obligation Bond-Series 2019 | 927 | 84,195 | 85,122 | - | - |
| Total Business-Type Activities | 1,620,782 | 84,195 | 173,240 | 1,531,737 | 90,177 |
| Total Primary Government | \$ 1,620,782 | \$ 84,195 | \$ 173,240 | \$ 1,531,737 | \$ 90,177 |

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

| Year Ended | Bonds and Notes Payable | | | |
|------------|-------------------------|-------------------|---------------------|---------------------|
| | June 30, | Principal | Interest | Total |
| 2022 | \$ 90,177 | \$ 35,495 | \$ 125,672 | \$ 125,672 |
| 2023 | 92,245 | 33,416 | 125,661 | 125,661 |
| 2024 | 94,323 | 31,289 | 125,612 | 125,612 |
| 2025 | 96,511 | 29,114 | 125,625 | 125,625 |
| 2026 | 98,708 | 26,888 | 125,596 | 125,596 |
| 2027-2031 | 528,761 | 99,226 | 627,987 | 627,987 |
| 2032-2036 | 145,414 | 55,115 | 200,529 | 200,529 |
| 2037-2041 | 111,503 | 41,497 | 153,000 | 153,000 |
| 2042-2046 | 126,332 | 26,667 | 152,999 | 152,999 |
| 2047-2051 | 143,135 | 9,865 | 153,000 | 153,000 |
| 2052-2056 | 4,628 | 14 | 4,642 | 4,642 |
| TOTALS | <u>\$ 1,531,737</u> | <u>\$ 388,586</u> | <u>\$ 1,920,323</u> | <u>\$ 1,920,323</u> |

**TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9: PENSION PLAN

Pensions

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

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

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

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

**TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

| | | |
|---|---|--|
| | | <p>Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p> |
| <p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p> | <p>Vesting Same as Plan 1</p> | <p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may |

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

**TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

**TOWN OF WISE, VIRGINIA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021**

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9: PENSION PLAN (continued)

Employees Covered by Benefit Terms – As of June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | Number |
|--|---------------|
| Inactive members or their beneficiaries currently receiving benefits | 34 |
| Inactive Members: | |
| Vested Inactive Members | 5 |
| Non-vested Inactive Members | 6 |
| LTD | 0 |
| Active Elsewhere in VRS | <u>16</u> |
| Total Inactive Members | 27 |
| Active Members | <u>47</u> |
| Total Covered Employees | <u>108</u> |

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

The Town’s contractually required contribution rate for the year ended June 30, 2021 was 10.16% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with the employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$202,184 and \$162,457 for the years ended June 30, 2021 and June 30, 2020, respectively.

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. For the Town of Wise, the net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9: PENSION PLAN (continued)

Actuarial Assumptions – General Employees – The total pension liability for General Employees in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

**TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9: PENSION PLAN (continued)

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Lowered rates |
| Salary Scale | No change |
| Line of Duty Disability | Increase rate from 14% to 20% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

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

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Lowered rates |
| Salary Scale | No change |
| Line of Duty Disability | Increase rate from 14% to 15% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits– The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town of Wise Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9: PENSION PLAN (continued)

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9: PENSION PLAN (continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Hazardous Duty

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience |
| Disability Rates | Increased rates |
| Salary Scale | No change |
| Line of Duty Disability | Increase rate from 60% to 70% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

All Others (Non 10 Largest) – Hazardous Duty

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Increased age 50 rates, and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better fit experience |
| Salary Scale | No change |
| Line of Duty Disability | Increase rate from 60% to 45% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9: PENSION PLAN (continued)

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return |
|------------------------|-------------------------------------|---|--|
| Public Equity | 34.00% | 4.65% | 1.58% |
| Fixed Income | 15.00% | 0.46% | 0.07% |
| Credit Strategies | 14.00% | 5.38% | 0.75% |
| Real Assets | 14.00% | 5.01% | 0.70% |
| Private Equity | 14.00% | 8.34% | 1.17% |
| MAPS | 6.00% | 3.04% | 0.18% |
| PIP | 3.00% | 6.49% | .19% |
| Total | <u>100.00%</u> | | <u>4.64%</u> |
| | Inflation | | <u>2.50%</u> |
| | *Expected Arithmetic Nominal Return | | <u>7.14%</u> |

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount Rate – The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9: PENSION PLAN (continued)

Changes in Net Pension Liability

| | Increase (Decrease) | | |
|--|--------------------------------------|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) – (b) |
| Balances at June 30, 2019 | \$12,598,023 | \$11,346,588 | \$1,251,435 |
| Changes for the year: | | | |
| Service Cost | 233,777 | - | 233,777 |
| Interest | 835,435 | - | 835,435 |
| Changes in benefit terms | - | - | - |
| Changes in assumptions | - | - | - |
| Differences between expected and actual experience | (7,917) | - | (7,917) |
| Contributions – Employer | - | 158,728 | (158,728) |
| Contributions – Employee | - | 103,480 | (103,480) |
| Net Investment Income | - | 216,328 | (216,328) |
| Benefit payments, including refunds of employee contributions | (442,402) | (442,402) | - |
| Administrative Expenses | - | (7,391) | 7,391 |
| Other Changes | - | (256) | 256 |
| Net Changes | <u>618,893</u> | <u>28,487</u> | <u>590,406</u> |
| Balances at June 30, 2020 | <u>\$13,216,916</u> | <u>\$11,375,075</u> | <u>\$1,841,841</u> |

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

| | 1% Decrease (5.75%) | Current Rate (6.75%) | 1% Increase (7.75%) |
|---|------------------------|-------------------------|------------------------|
| Town of Wise, Virginia’s Net Pension Liability | \$3,586,850 | \$1,841,841 | \$392,461 |

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended June 30, 2021, the Town recognized pension expense of \$512,879. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9: PENSION PLAN (continued)

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 273,226 | \$ 27,860 |
| Changes in assumptions | 193,516 | 2,492 |
| Net differences between projected and actual earnings on plan investments | 341,714 | - |
| Employer contributions subsequent to the measurement date | 202,184 | - |
| Total | \$ 1,010,640 | \$ 30,352 |

\$202,184 reported as deferred outflows of resources related to pensions resulting from the Town of Wise, VA's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30: | |
|---------------------|------------|
| 2022 | \$ 269,328 |
| 2023 | 284,830 |
| 2024 | 115,300 |
| 2025 | 108,647 |
| 2026 | - |
| Thereafter | - |
| TOTAL | \$ 778,105 |

Pension Plan Data—Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (CAFR). A copy of the 2020 VRS CAFR may be downloaded from the VRS website at varetire.org/pdf/publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 10: CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

accrued vacation pay totaling \$101,610 in the Governmental Activities of the Primary Government, \$32,580 in the Water Fund, and \$30,030 in the Sewer Fund, with \$10,160; \$3,258; and \$3,003 respectively, expected to be paid within one year.

NOTE 11: LITIGATION

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

NOTE 12: SURETY BONDS

Position Fidelity Schedule Bond:

| | Amount |
|---------------------|------------|
| Mayor | \$ 200,000 |
| Treasurer | 200,000 |
| Town Manager | 200,000 |
| Assistant Treasurer | 200,000 |
| Utility Clerk | 200,000 |
| Cashier | 200,000 |

NOTE 13: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest Paid-Proprietary Fund – Cash paid interest expense relating to debt for the year ended June 30, 2021 amounted to \$38,047.

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

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

Purpose

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

Components of Fund Balance

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

- Non-spendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority; for all funds except the general fund, assigned fund balance is the residual fund balance classification;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

Committed Fund Balance Policy

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

Assigned Fund Balance Policy

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

Minimum Unassigned Fund Balance Policy

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

Resource Flow Policy

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

NOTE 15: OTHER POST-EMPLOYMENT BENEFITS

PLAN DESCRIPTION

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

Health Plan Eligibility

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

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

A. Health Plan Benefits

Retiree health benefits are for retirees and their eligible spouses or dependents. Benefits include medical, dental, and vision coverage.

B. Retiree and Employer Contributions

- Non-Medicare eligible retirees and spouses (Under Age 65)-The Town contributes 100% of the retiree only premiums for a maximum of 18 months following retirement or until the retiree reaches age 65, whichever is earlier. After the 18-month period following retirement, the retiree is responsible for 100% of the retiree-only premium. The retiree is also responsible for 100% of the premium for spouse/dependent coverage upon retirement.
- Medicare eligible retirees and spouses (Age 65+) – The Town provides no coverage for Medicare-eligible retirees and spouses.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15: OTHER POST-EMPLOYMENT BENEFITS (continued)

C. Disability Retirement Benefit

The Plan does not include any disability retirement benefits.

D. Death Benefit

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

E. Withdrawal Benefit

The Plan does not include a withdrawal benefit.

F. Benefit Service

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

Summary of Participant Data— As of the January 1, 2020 valuation date, the number of active participants was 50. The number of inactive retirees and dependent spouses was 3.

Actuarial Assumptions and Methods— The retirement, withdrawal, mortality, and disability assumptions used are consistent with those used in the January 1, 2020 valuation of the Virginia Retirement System. In addition, the following assumptions specific to other post-employment benefits were used:

Discount Rate: A 2.16% discount rate was used as of January 1, 2020 for purposes of measuring the plan's June 30, 2021 Total OPEB Liability.

Inflation Rate: A 2.50% annual rate of inflation is assumed.

Coverage Elections: It is assumed that 100% of retirees will elect coverage for the first 18 months following retirement, that 30% of these retirees will elect to continue coverage after the first 18 months, and that 30% of retirees who elect coverage will also elect to cover their spouse.

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15: OTHER POST-EMPLOYMENT BENEFITS (continued)

| Changes in Total OPEB Liability | Increase/(Decrease) |
|--|----------------------------|
| Balance as of June 30, 2020 | \$ 537,378 |
| Changes during Year: | |
| Service Cost | 21,887 |
| Interest on Total OPEB Liability | 12,243 |
| Effect of Plan Changes | - |
| Effect of Economic/Demographic Gains or Losses | - |
| Effect of Assumptions Changes or Inputs | 2,367 |
| Benefit Payments | <u>(10,664)</u> |
| Balance as of June 30, 2021 | <u>\$ 563,211</u> |

Sensitivity Analysis

The following presents the Town's Total OPEB Liability, calculated using the discount rate of 2.16%. It also presents what the Town's Total OPEB Liability would be if it were calculated using a discount rate one percentage point lower (1.16%) and one percentage point higher (3.16%) than the current rate.

| | 1% Decrease (1.16%) | Current Rate (2.16%) | 1% Increase (3.16%) |
|--|------------------------|-------------------------|------------------------|
| Town of Wise, Virginia's Total OPEB Liability | \$612,053 | \$563,211 | \$517,369 |

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

| | 1% Decrease in Trend Rate | Current Trend Rate | 1% Increase In Trend Rate |
|--|------------------------------|-----------------------|---------------------------------|
| Town of Wise, Virginia's Total OPEB Liability | \$493,039 | \$563,211 | \$646,586 |

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15: OTHER POST-EMPLOYMENT BENEFITS (continued)

As of June 30, 2021, the deferred inflows and outflows of resources are as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | \$ (44,199) |
| Changes in assumptions | 42,399 | (8,449) |
| | \$ 42,399 | \$ (52,648) |
| Total | | |

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

| <u>Year Ended June 30:</u> | |
|----------------------------|------------|
| 2022 | \$ (2,345) |
| 2023 | (2,345) |
| 2024 | (2,345) |
| 2025 | (2,657) |
| 2026 | (557) |
| Thereafter | - |
| TOTAL | \$ 10,249 |

NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM

Group Life Insurance

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

**TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

Plan Description

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

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

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

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

| |
|---|
| <ul style="list-style-type: none"> ○ Repatriation benefit ○ Felonious assault benefit ○ Accelerated death benefit option |
| <p>Reduction in benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p> |
| <p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This amount will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.</p> |

Contributions

The contribution requirements for the Group Life Insurance Program are governed by § 51.1-506 and Section 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$10,746 and \$11,086 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the Town reported a liability of \$172,891 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

employer contributions to the Group Life Insurance Program for the year ended June 30, 2020, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was 0.001036% as compared to 0.001104% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$3,656. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Difference between expected and Actual experience | \$ 11,089 | \$ 1,554 |
| Net difference between projected and Actual earnings on GLI OPEB Program investments | 5,194 | 0 |
| Changes in assumptions | 8,647 | 3,610 |
| Changes in proportion | 3,770 | 16,866 |
| Employer contributions subsequent to the Measurement date | 10,746 | 0 |
| Total | \$ 39,446 | \$ 22,030 |

\$10,746 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| | |
|--------------|-----------------|
| FY 2022 | \$ (333) |
| FY 2023 | 1,133 |
| FY 2024 | 3,337 |
| FY 2025 | 3,414 |
| FY 2026 | (598) |
| Thereafter | (283) |
| TOTAL | \$ 6,670 |

**TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

Mortality rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

**TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table -- RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 25% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

**TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality rates-- SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 60% to 85% |
| Discount rate | Decreased rate from 7.00% to 6.75% |

**TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

Mortality rates – VaLORS Employees

Pre-retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 50% to 35% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

Mortality rates- JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Decreased rates at first retirement eligibility |
| Withdrawal Rates | No change |
| Disability Rates | Removed disability rates |
| Salary Scale | No change |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

Mortality rates—Largest Ten Locality Employers-General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 20% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 20% |
| Discount rate | Decrease rate from 7.00% to 6.75% |

**TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

Mortality rates—Largest Ten Locality Employers-Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Increased disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 60% to 70% |
| Discount rate | Decreased rate from 7.00% to 6.75% |

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 60% to 45% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

Net OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

| | |
|--|--|
| | Group Life Insurance <u>OPEB Program</u> |
| Total GLI OPEB Liability | \$ 3,523,937 |
| Plan Fiduciary Net Position | <u>1,855,102</u> |
| Employers’ Net GLI OPEB Liability (Asset) | <u>\$ 1,668,835</u> |
| Plan Fiduciary Net Position as a Percentage Of the Total GLI OPEB Liability | 52.64% |

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

Long-Term Expected Rate of Return

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

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return |
|------------------------|-------------------------------------|---|--|
| Public Equity | 34.00% | 4.65% | 1.58% |
| Fixed Income | 15.00% | 0.46% | 0.07% |
| Credit Strategies | 14.00% | 5.38% | 0.75% |
| Real Assets | 14.00% | 5.01% | 0.70% |
| Private Equity | 14.00% | 8.34% | 1.17% |
| MAPS | 6.00% | 3.04% | 0.18% |
| PIP | 3.00% | 6.49% | 0.19% |
| Total | 100.00% | | 4.64% |
| | Inflation | | 2.50% |
| | *Expected Arithmetic Nominal Return | | 7.14% |

The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019 the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

**TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

| | 1% Decrease (5.75%) | Current Rate (6.75%) | 1% Increase (7.75%) |
|---|------------------------|----------------------------|---------------------------|
| Town of Wise, Virginia's Share of the Group Life Insurance Program Net OPEB Liability | \$227,279 | \$ 172,891 | \$ 128,723 |

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (CAFR). A copy of the 2020 VRS CAFR may be downloaded from the VRS website at varetire.org/pdf/publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 17: OTHER INFORMATION

Future Pronouncements

In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB Statement 87 is effective for all fiscal years beginning after June 15, 2021.

In January 2020, GASB issued Statement No. 92, Omnibus 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements.

**TOWN OF WISE, VIRGINIA
SCHEDULE OF CAPITAL ASSETS BY SOURCE
FOR THE YEAR ENDED JUNE 30, 2021**

EXHIBIT 9

| | TOTAL |
|---|---------------|
| CAPITAL ASSETS | |
| Land | \$ 2,988,392 |
| Building and Building Improvements | 3,254,971 |
| Infrastructure | 28,691,300 |
| Equipment | 5,136,216 |
| Total Capital Assets | \$ 40,070,879 |
| INVESTMENT IN CAPITAL ASSETS BY SOURCE | |
| Enterprise Fund Revenues | \$ 18,170,429 |
| Enterprise Fund Indebtedness | 1,531,737 |
| General Fund Revenues | 20,368,713 |
| General Fund Indebtedness | - |
| Total Investment in Capital Assets | \$ 40,070,879 |

**TOWN OF WISE, VIRGINIA
SCHEDULE OF CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2021**

EXHIBIT 10

| | <u>LAND</u> | <u>BUILDING and BUILDING IMPROVEMENTS</u> | <u>INFRA- STRUCTURE</u> | <u>EQUIPMENT</u> | <u>TOTAL</u> |
|--|----------------------------|---|-----------------------------|----------------------------|-----------------------------|
| PRIMARY GOVERNMENT | | | | | |
| Governmental: | | | | | |
| General Government Adm | \$ 2,692,392 | \$ 1,817,062 | \$ - | \$ 83,304 | \$ 4,592,758 |
| Judicial Administration | - | - | - | - | - |
| Public Safety | - | 941,239 | - | 1,734,949 | 2,676,188 |
| Public Works | - | 200,335 | 7,275,018 | 1,537,420 | 9,012,773 |
| Health & Welfare | - | - | - | - | - |
| Education | - | - | - | - | - |
| Parks, Recreation & Cultural | - | 7,077 | 2,061,231 | 123,447 | 2,191,755 |
| Community Development | - | - | 1,861,850 | 33,389 | 1,895,239 |
| Total Governmental | <u>2,692,392</u> | <u>2,965,713</u> | <u>11,198,099</u> | <u>3,512,509</u> | <u>20,368,713</u> |
| Business-Type: | | | | | |
| Water | 209,750 | 208,522 | 12,684,342 | 1,046,186 | 14,148,800 |
| Sewer | 86,250 | 80,736 | 4,808,859 | 577,521 | 5,553,366 |
| Total Business-Type | <u>296,000</u> | <u>289,258</u> | <u>17,493,201</u> | <u>1,623,707</u> | <u>19,702,166</u> |
| TOTAL CAPITAL ASSETS BY FUNCTION (excluding depreciation) | <u><u>\$ 2,988,392</u></u> | <u><u>\$ 3,254,971</u></u> | <u><u>\$ 28,691,300</u></u> | <u><u>\$ 5,136,216</u></u> | <u><u>\$ 40,070,879</u></u> |

**TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF REVENUES - BUDGET & ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

**SCHEDULE 1
PAGE 1**

| FUND, MAJOR & MINOR REVENUE SOURCE | ORIGINAL BUDGET | BUDGET AS AMENDED | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
|---------------------------------------|--------------------|----------------------|------------------|--|
| General Fund: | | | | |
| Revenue From Local Sources: | | | | |
| General Property Taxes: | | | | |
| Real Property Taxes | \$ 527,500 | \$ 527,500 | \$ 610,499 | \$ 82,999 |
| Real & Personal Public Service | | | | |
| Corporation Property Taxes | 15,000 | 15,000 | 18,705 | 3,705 |
| Personal Property Taxes | 113,240 | 113,240 | 143,222 | 29,982 |
| Penalties & Interest | 10,000 | 10,000 | 14,370 | 4,370 |
| | <u>665,740</u> | <u>665,740</u> | <u>786,796</u> | <u>121,056</u> |
| PROPERTY TAXES | | | | |
| | <u>665,740</u> | <u>665,740</u> | <u>786,796</u> | <u>121,056</u> |
| Other Local Taxes: | | | | |
| Local Sales & Use Taxes | 60,000 | 60,000 | 139,784 | 79,784 |
| Consumer Utility Taxes | 60,000 | 60,000 | 89,586 | 29,586 |
| Consumption Tax | 11,000 | 11,000 | 15,124 | 4,124 |
| Business License Taxes | 226,390 | 226,390 | 439,101 | 212,711 |
| Franchise License Taxes | 4,000 | 4,000 | 2,674 | (1,326) |
| Gaming Tax | - | - | 4,896 | 4,896 |
| Bank Stock Taxes | 135,000 | 135,000 | 186,160 | 51,160 |
| Transient Lodging Taxes | 50,000 | 50,000 | 103,800 | 53,800 |
| Coal Road Improvement Taxes | 13,000 | 13,000 | 15,521 | 2,521 |
| Cigarette Tax | 30,000 | 30,000 | 45,120 | 15,120 |
| Meal Tax | 740,000 | 740,000 | 1,167,059 | 427,059 |
| | <u>1,329,390</u> | <u>1,329,390</u> | <u>2,208,825</u> | <u>879,435</u> |
| | <u>1,329,390</u> | <u>1,329,390</u> | <u>2,208,825</u> | <u>879,435</u> |
| Permits, Privilege Fees & | | | | |
| Regulatory Licenses: | | | | |
| Animal License | - | - | - | - |
| Permits | 100 | 100 | 525 | 425 |
| | <u>100</u> | <u>100</u> | <u>525</u> | <u>425</u> |
| REGULATORY LICENSES | | | | |
| | <u>100</u> | <u>100</u> | <u>525</u> | <u>425</u> |
| Fines & Forfeitures | 6,050 | 6,050 | 2,881 | (3,169) |
| | <u>6,050</u> | <u>6,050</u> | <u>2,881</u> | <u>(3,169)</u> |
| Revenue From Use of Money & Property: | | | | |
| Interest and Rent Revenue | 41,500 | 41,500 | 9,915 | (31,585) |
| | <u>41,500</u> | <u>41,500</u> | <u>9,915</u> | <u>(31,585)</u> |
| TOTAL REVENUE FROM USE OF | | | | |
| MONEY & PROPERTY | | | | |
| | <u>41,500</u> | <u>41,500</u> | <u>9,915</u> | <u>(31,585)</u> |

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

**TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF REVENUES - BUDGET & ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

**SCHEDULE 1
PAGE 2**

| FUND, MAJOR & MINOR REVENUE SOURCE | ORIGINAL BUDGET | BUDGET AS AMENDED | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
|--|--------------------|----------------------|------------------|--|
| General Fund: (continued) | | | | |
| Charges For Services: | | | | |
| Charges For Parks & Recreation | \$ 11,200 | \$ 11,200 | \$ 55,607 | \$ 44,407 |
| Charges For Sanitation & Waste Removal | 240,200 | 240,200 | 287,124 | 46,924 |
| TOTAL CHARGES FOR SERVICES | 251,400 | 251,400 | 342,731 | 91,331 |
| Miscellaneous Revenue: | | | | |
| Sale of Cemetery Plots | 1,000 | 1,000 | 9,000 | 8,000 |
| Sale of Property | 150 | 150 | 177 | 27 |
| County of Wise-Payment in Lieu of Taxes | - | - | - | - |
| Coal Severance Committee Appropriation | 50,000 | 50,000 | - | (50,000) |
| Miscellaneous | 73,460 | 73,460 | 38,428 | (35,032) |
| TOTAL MISCELLANEOUS REVENUE | 124,610 | 124,610 | 47,605 | (77,005) |
| TOTAL REVENUE FROM LOCAL SOURCES | 2,418,790 | 2,418,790 | 3,399,278 | 980,488 |
| Revenue From The Commonwealth: | | | | |
| Non-Categorical Aid: | | | | |
| Mobile Home Titling Tax | 4,000 | 4,000 | 4,854 | 854 |
| Rolling Stock Tax | - | - | - | - |
| Car Rental Tax | 500 | 500 | 2,931 | 2,431 |
| Financial Assistance To Police Dept. | 79,000 | 79,000 | 85,612 | 6,612 |
| PPTRA Tax Relief | 56,000 | 56,000 | 57,392 | 1,392 |
| Communications Sales & Use Tax | 85,000 | 85,000 | 80,825 | (4,175) |
| TOTAL NON-CATEGORICAL AID | 224,500 | 224,500 | 231,614 | 7,114 |
| Categorical Aid: | | | | |
| Street & Highway Maintenance | 550,000 | 550,000 | 581,018 | 31,018 |
| Litter Grant | 1,750 | 1,750 | 1,549 | (201) |
| Fire Programs | 10,500 | 10,500 | 15,000 | 4,500 |
| Virginia Commission of Arts | 4,500 | 4,500 | 4,500 | - |
| Byrnes Justice Grants | 2,970 | 2,970 | - | (2,970) |
| VDOT Enhancement Grant | 260,000 | 260,000 | - | (260,000) |
| VDEM-HMGP | 280,000 | 280,000 | 144,859 | (135,141) |
| VA Department of Wildlife | - | - | 8,098 | 8,098 |
| DCJS LE Retention Funds | - | - | 7,396 | 7,396 |
| VDOT Transportation Alternatives Grant | 527,640 | 527,640 | 175,512 | (352,128) |
| TOTAL CATEGORICAL AID | 1,637,360 | 1,637,360 | 937,932 | (699,428) |
| TOTAL REVENUE FROM THE COMMONWEALTH | 1,861,860 | 1,861,860 | 1,169,546 | (692,314) |

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

**TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF REVENUES - BUDGET & ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

**SCHEDULE 1
PAGE 3**

| FUND, MAJOR & MINOR REVENUE SOURCE | ORIGINAL BUDGET | BUDGET AS AMENDED | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
|--|---------------------|----------------------|---------------------|--|
| General Fund: (continued) | | | | |
| Revenue From The Federal Government: | | | | |
| Categorical Aid: | | | | |
| Byrnes Justice Grants | \$ - | \$ - | \$ - | \$ - |
| FEMA-HMGP | 1,050,000 | 1,050,000 | 543,222 | (506,778) |
| FHWA-HSIP-Primary School Pedestrian Imp. | 205,000 | 205,000 | - | (205,000) |
| VDOT Transportation Alternatives Grant | - | - | - | - |
| FHWA-HSIP-Norton Road Phase 3&4 | 754,100 | 754,100 | - | (754,100) |
| Selective Enforcement Grant | 15,000 | 15,000 | 3,196 | (11,804) |
| CARES Act | - | - | 112,241 | 112,241 |
| American Rescue Plan Act (ARPA) | - | - | 1,507,512 | 1,507,512 |
| TOTAL CATEGORICAL AID | 2,024,100 | 2,024,100 | 2,166,171 | 142,071 |
| TOTAL REVENUE FROM THE FEDERAL GOVT. | 2,024,100 | 2,024,100 | 2,166,171 | 142,071 |
| Suppl. Approp. From Prior Year Fund Bal. | 2,591,900 | 2,591,900 | - | (2,591,900) |
| TOTAL GENERAL FUND | \$ 8,896,650 | \$ 8,896,650 | \$ 6,734,995 | \$ (2,161,655) |
| SPECIAL REVENUE FUNDS: | | | | |
| DCJS Asset Forfeiture-State Revenue | 1,635 | 1,635 | - | (1,635) |
| DOJ Asset Forfeiture-Federal Revenue | 9,035 | 9,035 | - | (9,035) |
| TOTAL SPECIAL REVENUE FUND | 10,670 | 10,670 | - | (10,670) |
| GRAND TOTAL-REVENUES GOVERNMENTAL FUNDS | \$ 8,907,320 | \$ 8,907,320 | \$ 6,734,995 | \$ (2,172,325) |

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

**TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

**SCHEDULE 2
Page 1**

| FUND, MAJOR & MINOR EXPENDITURE SOURCE | ORIGINAL BUDGET | BUDGET AS AMENDED | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
|---|--------------------|----------------------|------------------|--|
| General Government Administration: | | | | |
| Legislative: | | | | |
| Town Council | \$ 58,050 | \$ 58,050 | \$ 26,153 | \$ 31,897 |
| TOTAL LEGISLATIVE | <u>58,050</u> | <u>58,050</u> | <u>26,153</u> | <u>31,897</u> |
| General & Financial Administration: | | | | |
| Employee Benefits | 134,850 | 134,850 | 41,294 | 93,556 |
| Manager | 119,000 | 119,000 | 102,504 | 16,496 |
| Professional Services | 88,840 | 88,840 | 28,644 | 60,196 |
| Treasurer | 195,250 | 195,250 | 162,079 | 33,171 |
| Risk Management | 128,680 | 128,680 | 152,545 | (23,865) |
| Data Processing | 64,800 | 64,800 | 59,416 | 5,384 |
| TOTAL GENERAL & FINANCIAL ADMINISTRATION | <u>731,420</u> | <u>731,420</u> | <u>546,482</u> | <u>184,938</u> |
| TOTAL GENERAL GOVERNMENT ADMINISTRATION | <u>789,470</u> | <u>789,470</u> | <u>572,635</u> | <u>216,835</u> |
| Public Safety: | | | | |
| Law Enforcement & Traffic Control: | | | | |
| Police Department | <u>1,344,585</u> | <u>1,344,585</u> | <u>1,153,913</u> | <u>190,672</u> |
| TOTAL LAW ENFORCEMENT & TRAFFIC CONTROL | <u>1,344,585</u> | <u>1,344,585</u> | <u>1,153,913</u> | <u>190,672</u> |
| Fire & Rescue Services: | | | | |
| Volunteer Fire Department | 78,000 | 78,000 | 82,000 | (4,000) |
| Ambulance & Rescue Service | <u>22,000</u> | <u>22,000</u> | <u>22,000</u> | <u>-</u> |
| TOTAL FIRE & RESCUE SERVICES | <u>100,000</u> | <u>100,000</u> | <u>104,000</u> | <u>(4,000)</u> |
| Correction & Detention: | | | | |
| Court Expense | <u>1,000</u> | <u>1,000</u> | <u>-</u> | <u>1,000</u> |
| TOTAL COURT EXPENSE | <u>1,000</u> | <u>1,000</u> | <u>-</u> | <u>1,000</u> |

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

**TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

**SCHEDULE 2
Page 2**

| FUND, MAJOR & MINOR EXPENDITURE SOURCE | ORIGINAL BUDGET | BUDGET AS AMENDED | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
|---|--------------------|----------------------|-----------|--|
| Public Safety: (continued) | | | | |
| Animal Control: | | | | |
| Animal Control | \$ - | \$ - | \$ - | \$ - |
| TOTAL ANIMAL CONTROL | - | - | - | - |
| TOTAL PUBLIC SAFETY | 1,445,585 | 1,445,585 | 1,257,913 | 187,672 |
| Public Works: | | | | |
| Maintenance of Highways, Streets, Bridges, and Sidewalks: | | | | |
| General Administration | 45,525 | 45,525 | 57,334 | (11,809) |
| Storm Drainage | 1,417,500 | 1,417,500 | 720,510 | 696,990 |
| Street Maintenance | 2,907,950 | 2,907,950 | 1,006,963 | 1,900,987 |
| Street Lights | 72,500 | 72,500 | 66,020 | 6,480 |
| Snow & Ice Removal | 104,100 | 104,100 | 70,625 | 33,475 |
| TOTAL MAINTENANCE OF HIGHWAYS, STREETS, BRIDGES, & SIDEWALKS | 4,547,575 | 4,547,575 | 1,921,452 | 2,626,123 |
| Sanitation & Waste Removal: | | | | |
| General Engineering/Administration: | | | | |
| Solid Waste Removal | 314,600 | 314,600 | 262,290 | 52,310 |
| TOTAL SANITATION & WASTE REMOVAL | 314,600 | 314,600 | 262,290 | 52,310 |
| Maintenance of General Buildings and Grounds: | | | | |
| General Engineering/Administration: | | | | |
| General Properties | 161,000 | 161,000 | 115,249 | 45,751 |
| TOTAL MAINTENANCE OF GENERAL BUILDINGS & GROUNDS | 161,000 | 161,000 | 115,249 | 45,751 |
| TOTAL PUBLIC WORKS | 5,023,175 | 5,023,175 | 2,298,991 | 2,724,184 |
| Health and Welfare: | | | | |
| Welfare Social Service: | | | | |
| Property Tax Relief for Elderly | 5,000 | 5,000 | 5,659 | (659) |
| TOTAL HEALTH AND WELFARE | 5,000 | 5,000 | 5,659 | (659) |

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

**TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

**SCHEDULE 2
Page 3**

| FUND, MAJOR & MINOR EXPENDITURE SOURCE | ORIGINAL BUDGET | BUDGET AS AMENDED | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
|--|---------------------|----------------------|---------------------|--|
| Parks, Recreation & Cultural: | | | | |
| Parks & Recreation: | | | | |
| Parks and Play Grounds | \$ 73,750 | \$ 73,750 | \$ 94,700 | \$ (20,950) |
| Swimming Pool | 118,900 | 118,900 | 104,488 | 14,412 |
| Cemeteries | 5,000 | 5,000 | - | 5,000 |
| TOTAL PARKS & RECREATION | <u>197,650</u> | <u>197,650</u> | <u>199,188</u> | <u>(1,538)</u> |
| Cultural Enrichment: | | | | |
| Pro Art Association | 7,600 | 7,600 | 7,600 | - |
| Cumberland Airport Commission | 3,000 | 3,000 | 3,000 | - |
| Library Art Gallery | 1,900 | 1,900 | 1,900 | - |
| WBA-Fall Fling | 6,000 | 6,000 | 3,000 | 3,000 |
| Friends of South West Virginia | 500 | 500 | 500 | - |
| Regional Library | 9,500 | 9,500 | 9,500 | - |
| Planning | 58,750 | 58,750 | 22,690 | 36,060 |
| Miscellaneous | 4,000 | 4,000 | 9,825 | (5,825) |
| TOTAL CULTURAL ENRICHMENT | <u>91,250</u> | <u>91,250</u> | <u>58,015</u> | <u>33,235</u> |
| TOTAL PARKS, RECREATION, & CULTURAL | <u>288,900</u> | <u>288,900</u> | <u>257,203</u> | <u>31,697</u> |
| Community Development: | | | | |
| Planning & Community Development: | | | | |
| Planning | 117,450 | 117,450 | 99,702 | 17,748 |
| Miscellaneous | 1,250 | 1,250 | 1,220 | 30 |
| TOTAL COMMUNITY DEVELOPMENT | <u>118,700</u> | <u>118,700</u> | <u>100,922</u> | <u>17,778</u> |
| Debt Service: | | | | |
| Principal Curtailments | - | - | - | - |
| Interest & Fiscal Charges | - | - | - | - |
| TOTAL DEBT SERVICE | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Transfer to Water/Sewer Fund | 1,125,820 | 1,125,820 | - | 1,125,820 |
| Reserve for Contingencies | 100,000 | 100,000 | 25,000 | 75,000 |
| TOTAL GENERAL FUND | <u>\$ 8,896,650</u> | <u>\$ 8,896,650</u> | <u>\$ 4,518,323</u> | <u>\$ 4,378,327</u> |
| SPECIAL REVENUE FUNDS: | | | | |
| DCJS Asset Forfeiture-Operating Supplies | 1,635 | 1,635 | - | 1,635 |
| DOJ Asset Forfeiture-Operating Supplies | 9,035 | 9,035 | - | 9,035 |
| TOTAL SPECIAL REVENUE FUND | <u>10,670</u> | <u>10,670</u> | <u>-</u> | <u>10,670</u> |
| GRAND TOTAL-EXPENDITURES GOVERNMENTAL FUNDS | <u>\$ 8,907,320</u> | <u>\$ 8,907,320</u> | <u>\$ 4,518,323</u> | <u>\$ 4,388,997</u> |

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

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

SCHEDULE 3

| FISCAL YEAR | GENERAL PROPERTY TAXES | OTHER LOCAL TAXES | FINES AND FORFEITURES | PERMITS, PRIVILEGE FEES & REGULATORY LICENSES | CHARGES FOR SERVICES | MISCELLANEOUS | REVENUE FROM USE OF MONEY AND PROPERTY | INTER-GOVERNMENTAL | TOTAL |
|-------------|------------------------|-------------------|-----------------------|---|----------------------|---------------|--|--------------------|--------------|
| 2021 | \$ 786,796 | \$ 2,208,825 | \$ 2,881 | \$ 525 | \$ 342,731 | \$ 47,605 | \$ 9,915 | \$ 3,335,717 | \$ 6,734,995 |
| 2020 | 778,776 | 2,039,581 | 3,391 | 550 | 315,389 | 158,924 | 108,191 | 1,305,143 | 4,709,945 |
| 2019 | 786,881 | 2,250,187 | 13,325 | 375 | 332,585 | 93,148 | 146,058 | 879,817 | 4,502,376 |
| 2018 | 797,412 | 2,170,923 | 12,440 | 825 | 328,622 | 120,016 | 59,010 | 908,180 | 4,397,428 |
| 2017 | 791,340 | 2,196,980 | 14,371 | 1,025 | 329,840 | 62,110 | 39,866 | 826,380 | 4,261,912 |
| 2016 | 808,460 | 2,182,802 | 19,889 | 525 | 332,696 | 61,178 | 39,773 | 932,629 | 4,377,952 |
| 2015 | 659,443 | 2,042,875 | 17,340 | 547 | 363,970 | 80,249 | 27,567 | 1,273,487 | 3,859,006 |
| 2014 | 637,575 | 1,989,857 | 15,097 | 475 | 357,512 | 80,002 | 25,269 | 753,219 | 3,859,006 |
| 2013 | 637,442 | 2,196,320 | 17,386 | 1,562 | 283,810 | 188,027 | 23,813 | 919,813 | 4,268,173 |
| 2012 | 638,392 | 1,965,533 | 16,637 | 1,674 | 292,545 | 141,993 | 29,979 | 1,107,713 | 4,194,466 |

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

SCHEDULE 4

| FISCAL YEAR | GENERAL ADMINISTRATION | PUBLIC SAFETY | PUBLIC WORKS | PARKS, RECREATION AND CULTURAL | HEALTH AND WELFARE | COMMUNITY DEVELOPMENT | NON DEPARTMENTAL | DEBT SERVICE | TOTAL |
|-------------|------------------------|---------------|--------------|--------------------------------|--------------------|-----------------------|------------------|--------------|--------------|
| 2021 | \$ 597,635 | \$ 1,257,913 | \$ 2,298,991 | \$ 257,203 | \$ 5,659 | \$ 100,922 | \$ - | \$ - | \$ 4,518,323 |
| 2020 | 545,609 | 1,233,178 | 2,129,181 | 135,740 | 5,897 | 125,623 | 29,005 | - | 4,204,233 |
| 2019 | 528,045 | 1,214,371 | 1,464,594 | 162,216 | - | 149,487 | 137,398 | - | 3,656,111 |
| 2018 | 535,747 | 1,153,313 | 1,465,480 | 166,617 | 4,603 | 144,315 | 328,243 | - | 3,798,318 |
| 2017 | 513,477 | 1,061,477 | 1,387,571 | 347,498 | 11,494 | 114,089 | 589,612 | - | 4,025,218 |
| 2016 | 475,411 | 1,103,005 | 1,316,624 | 171,630 | 19,182 | 110,186 | - | - | 3,196,038 |
| 2015 | 451,939 | 1,071,881 | 1,747,530 | 161,155 | 2,221 | 104,539 | 489,804 | - | 4,029,069 |
| 2014 | 481,195 | 1,118,698 | 1,193,519 | 120,040 | 4,939 | 135,093 | 320,800 | 66,745 | 3,441,029 |
| 2013 | 518,891 | 1,174,226 | 1,289,243 | 156,531 | 5,678 | 131,408 | - | 66,745 | 3,342,722 |
| 2012 | 490,230 | 1,592,775 | 1,326,770 | 213,748 | 9,920 | 354,995 | - | 66,745 | 4,055,183 |

**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 |
|--------------|----------------|-------------------|--------------|----------------|----------------|
| 2021 | \$ 206,988,560 | \$ 21,154,570 | \$ 1,510,848 | \$ 6,260,180 | \$ 235,914,158 |
| 2020 | 206,086,960 | 25,987,271 | 3,302,731 | 5,768,233 | 241,145,195 |
| 2019 | 201,276,333 | 20,809,365 | 1,446,031 | 5,634,083 | 229,165,812 |
| 2018 | 206,529,160 | 27,182,190 | 3,960,311 | 6,388,188 | 244,059,849 |
| 2017 | 209,938,260 | 28,179,654 | 4,250,151 | 6,278,177 | 248,646,242 |
| 2016 | 208,334,290 | 29,301,732 | 3,853,631 | 6,497,010 | 247,986,663 |
| 2015 | 202,017,551 | 36,203,962 | 1,756,226 | 5,915,448 | 245,893,188 |
| 2014 | 202,083,590 | 31,598,169 | 4,830,910 | 6,001,305 | 244,513,974 |
| 2013 | 200,577,948 | 32,019,501 | 4,356,590 | 5,711,257 | 242,665,296 |
| 2012 | 199,270,789 | 34,311,994 | 1,940,981 | 3,977,500 | 239,501,264 |

**PROPERTY TAX RATES
LAST TEN YEARS**

| FISCAL YEARS | REAL ESTATE | PERSONAL PROPERTY | MOBILE HOMES | PUBLIC UTILITY |
|--------------|-------------|-------------------|--------------|----------------|
| 2021 | 0.2988 | 0.630 | 0.2988 | Various |
| 2020 | 0.2988 | 0.630 | 0.2988 | Various |
| 2019 | 0.2988 | 0.630 | 0.2988 | Various |
| 2018 | 0.300 | 0.630 | 0.300 | Various |
| 2017 | 0.300 | 0.630 | 0.300 | Various |
| 2016 | 0.300 | 0.630 | 0.300 | Various |
| 2015 | 0.245 | 0.630 | 0.245 | Various |
| 2014 | 0.245 | 0.530 | 0.245 | Various |
| 2013 | 0.245 | 0.530 | 0.245 | Various |
| 2012 | 0.245 | 0.530 | 0.245 | Various |

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

SCHEDULE 6

| FISCAL YEAR | TOTAL (1) TAX LEVY | CURRENT TAX (1) COLLECTIONS | PERCENT OF LEVY COLLECTED | DELINQUENT (1) 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 |
|-------------|-----------------------|-----------------------------------|---------------------------------|--|-----------------------------|---|--|--|
| 2021 | \$ 809,122 | \$ 794,047 | 98.14% | \$ 26,019 | 820,066 | 101.35% | \$ 43,942 | 5.43% |
| 2020 | 797,505 | 750,610 | 94.12% | 14,763 | 765,373 | 95.97% | 53,312 | 6.68% |
| 2019 | 762,024 | 747,449 | 98.09% | 17,004 | 764,453 | 100.32% | 39,730 | 5.21% |
| 2018 | 787,664 | 734,967 | 93.31% | 20,520 | 755,487 | 95.91% | 51,775 | 6.57% |
| 2017 | 793,050 | 764,051 | 96.34% | 23,724 | 787,775 | 99.33% | 43,254 | 5.45% |
| 2016 | 785,626 | 752,350 | 95.76% | 33,246 | 785,596 | 100.00% | 42,974 | 5.47% |
| 2015 | 696,132 | 610,699 | 87.73% | 35,436 | 646,135 | 92.82% | 23,526 | 3.38% |
| 2014 | 681,582 | 601,143 | 88.20% | 13,389 | 614,532 | 90.16% | 39,594 | 5.81% |
| 2013 | 612,258 | 604,307 | 98.70% | 13,936 | 618,243 | 100.98% | 43,702 | 7.14% |
| 2012 | 664,052 | 600,317 | 90.40% | 21,834 | 622,151 | 93.69% | 44,850 | 6.75% |

Notes:

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

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

SCHEDULE 7

| 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 | | | |
| 2021 | 3,286 | \$ 235,914 | \$ 1,531,737 | - | \$ 1,531,737 | \$ - | - | \$ - |
| 2020 | 3,286 | 241,145 | 1,620,782 | - | 1,620,782 | - | - | - |
| 2019 | 3,286 | 229,166 | 1,705,922 | - | 1,705,922 | - | - | - |
| 2018 | 3,286 | 244,060 | 1,790,524 | - | 1,790,524 | - | - | - |
| 2017 | 3,286 | 248,646 | 1,981,992 | - | 1,981,992 | - | - | - |
| 2016 | 3,286 | 247,987 | 3,555,012 | - | 3,555,012 | - | - | - |
| 2015 | 3,286 | 245,893 | 2,954,345 | - | 2,954,345 | - | - | - |
| 2014 | 3,286 | 244,514 | 2,992,243 | - | 2,992,243 | - | - | - |
| 2013 | 3,286 | 242,665 | 3,083,616 | - | 3,018,828 | 64,788 | 0.0003 | 19.72 |
| 2012 | 3,286 | 239,501 | 2,278,457 | - | 2,150,963 | 127,494 | 0.0005 | 38.80 |

Notes:

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

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

SCHEDULE 8

Water and Sewer Revenue Bonds

| Fiscal Year | Gross revenues | Less operating expenses | Net revenues available for debt service | Debt Service | | Coverage |
|------------------------|---------------------------|--|--|---------------------|-----------------|-----------------|
| | | | | Principal | Interest | |
| 2021 | 9,974,619 | (6,946,899) | \$ 3,027,720 | 173,239 | 38,047 | 1433% |
| 2020 | 7,789,174 | (6,697,229) | \$ 1,091,945 | 86,067 | 39,815 | 867% |
| 2019 | 7,635,388 | (6,325,229) | \$ 1,310,159 | 118,141 | 41,980 | 818% |
| 2018 | 7,457,800 | (6,765,545) | \$ 692,255 | 191,946 | 43,807 | 294% |
| 2017 | 7,214,728 | (6,198,311) | \$ 1,016,417 | 2,916,008 | 57,335 | 34% |
| 2016 | 7,762,873 | (6,123,160) | \$ 1,639,713 | 39,320 | 112,617 | 1079% |
| 2015 | 7,309,762 | (6,171,658) | \$ 1,138,104 | 37,899 | 113,589 | 751% |
| 2014 | 6,976,919 | (6,227,676) | \$ 749,243 | 91,373 | 196,383 | 260% |
| 2013 | 7,006,190 | (6,189,116) | \$ 817,074 | 67,877 | 24,494 | 885% |
| 2012 | 6,436,574 | (6,194,388) | \$ 242,186 | 77,052 | 6,223 | 291% |

**TOWN OF WISE, VIRGINIA
SCHEDULE OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED JUNE 30, 2021**

SCHEDULE 9

| | |
|---|----------------------|
| Legal Debt Limit | |
| 10% of Assessed Value Of Taxable Real Estate (Including Public Utility Real Estate) (\$235,914,158 x .10) | \$ 23,591,416 |
| Deduct | |
| Bonds Payable | <u>(1,531,737)</u> |
| Legal Margin For Creation Of Additional Debt | <u>\$ 22,059,679</u> |

**TOWN OF WISE, VIRGINIA
SCHEDULE OF FUND BALANCES - GASB 54
JUNE 30, 2021**

SCHEDULE 10

Governmental Fund Balances:

Nonspendable:

Cemetery Saving \$ 446,797

Restricted for:

Asset forfeiture 13,426

American Rescue Plan Act 1,507,512

Unassigned: 8,559,012

Governmental Fund Balance June 30, 2021 \$10,526,747

TOWN OF WISE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
RETIREMENT PLAN
JUNE 30, 2021

SCHEDULE 11
PAGE 1

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

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

TOWN OF WISE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
RETIREMENT PLAN
JUNE 30, 2021

Schedule of Employer Contributions
For the Years Ended June 30, 2012 through 2021

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Employee Payroll (4) | Contributions as a % of Covered Employee Payroll (5) |
|------|--|---|---|---|---|
| 2021 | 202,184 | 202,184 | 0 | 1,990,001 | 10.16% |
| 2020 | 162,457 | 162,457 | 0 | 2,131,981 | 7.62% |
| 2019 | 162,496 | 164,322 | 0 | 2,156,454 | 7.62% |
| 2018 | 162,496 | 162,496 | 0 | 2,175,316 | 7.47% |
| 2017 | 151,974 | 151,974 | 0 | 2,034,450 | 7.47% |
| 2016 | 193,770 | 193,770 | 0 | 2,034,452 | 9.3% |
| 2015 | 192,679 | 192,679 | 0 | 2,071,817 | 9.3% |
| 2014 | 184,912 | 184,912 | 0 | 2,071,642 | 8.6% |
| 2013 | 179,791 | 179,791 | 0 | 2,090,590 | 8.6% |
| 2012 | 75,717 | 75,717 | 0 | 1,947,445 | 3.84% |

TOWN OF WISE, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
VRS RETIREMENT PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Lowered rates |
| Salary Scale | No change |
| Line of Duty Disability | Increase rate from 14% to 20% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

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

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Lowered rates |
| Salary Scale | No change |
| Line of Duty Disability | Increase rate from 14% to 15% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

Largest 10 – Hazardous Duty

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience |
| Disability Rates | Increased rates |
| Salary Scale | No change |
| Line of Duty Disability | Increase rate from 60% to 70% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

TOWN OF WISE, VIRGINIA
 NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
 VRS RETIREMENT PLAN
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

All Others (Non 10 Largest) – Hazardous Duty

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Increased age 50 rates, and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better fit experience |
| Salary Scale | No change |
| Line of Duty Disability | Decrease rate from 60% to 45% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

TOWN OF WISE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
GROUP LIFE INSURANCE PROGRAM
JUNE 30, 2021

**Schedule of Town of Wise, Virginia's Share of
Net OPEB Liability
Group Life Insurance Program
For the Measurement Dates of June 30, 2017 through 2021**

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|--------------|--------------|--------------|--------------|
| Employer's Proportion of the Net GLI OPEB Liability (Asset) | 0.01036% | 0.01104% | 0.01144% | 0.01103% |
| Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) | \$ 179,650 | \$ 179,650 | \$ 174,000 | \$ 166,000 |
| Employer's Covered Payroll | \$ 2,131,981 | \$ 2,156,454 | \$ 2,175,316 | \$ 2,034,450 |
| Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll | 8.43% | 8.33% | 8.00% | 8.16% |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 52.64% | 52.00% | 51.22% | 48.86% |

Schedule is intended to show information for 10 years. Since 2020 is the fourth year for this presentation, there are only four years available. However, additional years will be included as they become available.

For Reference Only: The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 128 of the VRS 2020 Comprehensive Annual Financial Report (CAFR).

TOWN OF WISE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
GROUP LIFE INSURANCE PROGRAM
JUNE 30, 2021

Schedule of Employer Contributions
For the Years Ended June 30, 2017 through 2021

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Employee Payroll (4) | Contributions as a % of Covered Employee Payroll (5) |
|------|--|---|---|---|---|
| 2020 | 11,086 | 11,086 | 0 | 2,131,981 | 0.52% |
| 2019 | 11,258 | 11,258 | 0 | 2,156,454 | 0.52% |
| 2018 | 11,312 | 11,312 | 0 | 2,175,316 | 0.52% |
| 2017 | 10,579 | 10,579 | 0 | 2,034,450 | 0.52% |

Schedule is intended to show information for 10 years. Since 2020 is the fourth year for this presentation, only four years of data are available. However, additional years will be included as they become available.

TOWN OF WISE, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
GROUP LIFE INSURANCE PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

General State Employees

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Increase rate from 14% to 25% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

Teachers

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

SPORS Employees

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Increase rate from 60% to 85% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

TOWN OF WISE, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
GROUP LIFE INSURANCE PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

VaLORS Employees

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| Retirement Rates | Increased age 50 rates, and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 50% to 35% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

JRS Employees

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Decreased rates at first retirement eligibility |
| Withdrawal Rates | No change |
| Disability Rates | Removed disability rates |
| Salary Scale | No change |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

Largest Ten Locality Employers-General Employees

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 20% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

TOWN OF WISE, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
GROUP LIFE INSURANCE PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Non-Largest Ten Locality Employers-General Employees

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 15% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

Largest Ten Locality Employers—Hazardous Duty Employees

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Increased disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 60% to 70% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

Non-Largest Ten Locality Employers—Hazardous Duty Employees

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 60% to 45% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

TOWN OF WISE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

SCHEDULE 13

| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE | FEDERAL CFDA NUMBER | PASS-THROUGH GRANTOR'S NUMBER | EXPENDITURES |
|--|---------------------------|-------------------------------------|-------------------|
| <u>U.S. DEPARTMENT OF THE TREASURY</u> | | | |
| Passed through Wise County as Fiscal Agent | | | |
| CARES ACT Relief Fund | 21.019 | N/A | \$ 224,481 |
| Total U.S. Department of the Treasury | | | <u>224,481</u> |
| <u>U.S. DEPARTMENT OF TRANSPORTATION</u> | | | |
| Passed through VA Department of Motor Vehicles | | | |
| Alcohol Traffic Safety & Drunk Driving Prevention | 20.616 | N/A | 3,196 |
| Total Department of Transportation | | | <u>3,196</u> |
| <u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u> | | | |
| Pass-through: Capitalization Grant for Drinking | | | |
| Water State Revolving Fund | Loan 66.468 | N/A | 84,195 |
| Total U.S. Environmental Protection Agency | Grant 66.468 | N/A | 96,487 |
| | | | <u>180,681</u> |
| <u>U.S. DEPARTMENT OF AGRICULTURE (Direct)</u> | | | |
| Rural Housing Service | | | |
| Community Facilities Grant | 10.766 | N/A | 16,000 |
| Total U.S. Department of Agriculture | | | <u>16,000</u> |
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY *</u> | | | |
| Federal Emergency Management | | | |
| Hazard Mitigation Grant | 97.039 | N/A | 543,222 |
| Total U.S. Department of Homeland Security | | | <u>543,222</u> |
| Total Federal Expenditures | | | <u>\$ 967,580</u> |

*Major Program

See accompanying notes to schedule of expenditures of federal awards.

See accompanying independent auditors' report.

TOWN OF WISE, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

1. GENERAL

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

2. BASIS OF ACCOUNTING

The Schedule is presented in the accrual basis of accounting for the proprietary funds, as described in Note 1 to the Town's basic financial statements. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. For the year ended June 30, 2021, the Town of Wise, Virginia did not participate in any federal programs in which non-cash benefits were provided through the State to eligible participants.

3. RELATIONSHIP TO THE FINANCIAL STATEMENTS

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

| | | |
|--|----|--------------------|
| Revenue from the Federal government – financial statements | \$ | 2,390,898 |
| Loan Proceeds from the Federal government – financial statements | | 84,194 |
| Add (subtract) Federal Awards revenue recognized: | | |
| In prior fiscal years, spent this fiscal year | | -0- |
| In current fiscal years, but not spent | | <u>(1,507,512)</u> |
| Expenditures of Federal awards | \$ | <u>967,580</u> |

4. SUB-RECIPIENT PAYMENTS

The Town did not expend any funds to a subrecipient during the fiscal year ended June 30, 2021.

5. INDIRECT COST RATE

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

TOWN OF WISE, VIRGINIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

A. Summary of Auditor's Results

1. The type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles. **UNMODIFIED**
2. Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
 - Material weaknesses: **NO**
 - Significant deficiencies: **NONE REPORTED**
3. Noncompliance, which is material to the financial statements: **NO**
4. Internal control deficiencies over major programs disclosed by the audit:
 - Material weaknesses: **NO**
 - Significant deficiencies: **NONE REPORTED**
5. The type of report issued on compliance for major programs: **UNMODIFIED**
6. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **NO**
7. Major programs:
 - U.S DEPARTMENT OF HOMELAND SECURITY: Federal Emergency Management/Hazard Mitigation Grant – CFDA No. 97.039
8. Dollar threshold to distinguish between Type A and B Programs: **\$750,000**
9. Auditee qualified as a low-risk auditee: **NO**

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

NONE

C. Findings and Questioned Costs Relating to Federal Awards

NONE

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 & TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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

email: lsturgill@larrydsturgillcpa.com

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and with the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and the business-type activities of the Town of Wise, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 19, 2021.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Larry D. Sturgill, P.C.
Wise, VA
November 19, 2021

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
TENNESSEE & VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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

email: lsturgill@larrydsturgillcpa.com

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

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

Report on Compliance for Each Major Federal Program

We have audited The Town of Wise, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2021. The Town's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Major Federal Program

In our opinion, the Town of Wise, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Larry D. Sturgill, P.C.
Wise, Virginia
November 19, 2021

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
TELEPHONE (276) 328-9593 FAX (276) 328-2131
email: lsturgill@larrydsturgillcpa.com

MEMBER
TENNESSEE & VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' COMMENTS ON RESOLUTION
OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

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

Council Members:

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

Larry D. Sturgill, P.C.
November 19, 2021