

AUDIT REPORT

JUNE 30, 2013

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JUNE 30, 2013**

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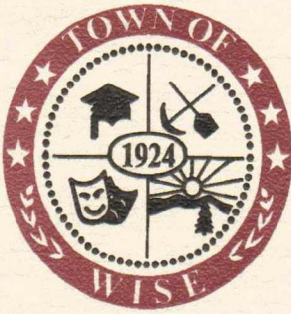
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INTRODUCTORY SECTION



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Letter of Transmittal

December 16, 2013

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

I am pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Town of Wise, Virginia (the Town) for the fiscal year ended June 30, 2013. The *Code of Virginia* requires that local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. This CAFR has been prepared in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB) and the Auditor of Public Accounts of the Commonwealth of Virginia (APA).

The CAFR consists of management's representations concerning the finances of the Town. Consequently, management assumes full responsibility for the completeness and fairness of presentation of the information presented in this financial report. To provide a reasonable basis for making these representations, management of the Town has established a comprehensive internal control framework that is designed to ensure compliance with applicable laws and regulations and Town policies, safeguard the Town's assets, and compile sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and accurate, in all material respects, and presents fairly the financial position and results of operations of the various funds of the Town.

This CAFR is intended to provide informative and relevant financial information for the citizens of the Town, the Town Council, creditors, and other concerned readers. All are encouraged to contact the Town Manager with any comments or questions concerning this financial report.

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, cemeteries, planning and zoning, and general administration.

The Town currently operates under the council-manager form of government. The 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. This public, four-year residential college attracts students from throughout the Southeast as well as from foreign countries. *U.S. News and World Report* has named this college as one of the top ten public liberal arts colleges in the nation. The University of Virginia's College at Wise was founded in 1954 and is the only branch campus of the University of Virginia. The College offers Virginia's only undergraduate degree program in software engineering as well as 30 majors, 32 minors, seven pre-professional programs and 24 teaching licensures. UVA-Wise has been selected for inclusion in "*Colleges of Distinction*," which recognizes institutions for engaged students, great teaching, vibrant communities and successful outcomes.

Three miles northeast of the Town, Lonesome Pine Airport serves the public with one mile of lighted runway. Adjacent to the airport, the 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 businesses.

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 associated with a number of regional shopping centers as well as chain and independent restaurants account for another important source of employment. Call centers also provide work for a number of residents. For example, 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 and also employs hundreds of area residents. The Town has benefitted from the diversity of these sectors for contributions to total employment. The June 2013 unemployment rate for the local area was 9.3%, which is higher than the prior year's rate of 8.0% and higher than the Commonwealth of Virginia's rate of 6.0%. In addition, the local unemployment rate exceeds the national rate of 7.6% by more than 20%.

It is anticipated that the Town will derive a number of benefits from the completion of a new 3,000 seat convocation center on the campus of the University of Virginia's College at Wise, the planned opening of the renovated and expanded historic Inn at Wise in early 2014, expansion of the Lonesome Pine Regional Airport, build out of three major residential subdivisions, and completion of a new retail development.

The Town's identity as a college town is reinforced by the close proximity of downtown Wise to the University of Virginia's College at Wise. Downtown Wise is a vibrant gateway to the larger community and the UVA-Wise campus, offering shopping, dining, and entertainment. In the central business district, the Big Glades amphitheatre attracts visitors from throughout the region to participate in special events sponsored by the College, Pro-Art, the Town, and the local business association. 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 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. Orchards and a farmers market also figure prominently in the local scene.

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 not required under the Code of Virginia, but a budget for this fund is prepared and tracked by the Town. The budget appropriation resolution adopted by Town Council places legal restrictions on expenditures at the fund level. Budget transfers between departments and all requests for supplemental appropriations require action by the governing body. Budget-to-actual comparisons are provided in this report for the General Fund in Schedules 1 and 2.

MAJOR INITIATIVES FOR FISCAL YEAR 2013

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 26, 2012, the Wise Town Council adopted a General Fund budget for FY 2013 totaling just over \$7.35 million and representing a 2% decrease over the previous fiscal year. Said budget set forth a financial plan for the Town as well as a general work program for the year while maintaining property taxes, at their pre-existing levels. Excise taxes were increased to compensate for a significant decline in sales tax collections largely attributable to completion of construction at the Dominion Power complex and a corresponding decrease in the company's purchase of locally-available materials. A slowing of new building activity at UVa-Wise had a similar effect. In addition a decline in coal severance taxes took a toll on locality revenue. Specifically, the cigarette tax was increased from .05 cents per pack to .10 cents per pack, the transient lodging tax was increased from 4% to 5%, and the meals tax rate went from 5% to 6%.

On July 9, 2012 two new Council members were officially installed into office. Billy Bartlett, Jr. and Jeffrey Dotson secured their positions during the Town Council election held in May of 2012.

On August 28, 2012, the Town authorized execution of an easement for the Virginia Coalfield Coalition to place fiber optic cable on municipal right-of-way. The construction is part of a larger project to bring 4G wireless service to the entire region which is important for economic development, business recruitment, and citizen convenience.

In September of 2012, Town Council authorized the update of drawings and designs for the Norton Road Improvements Project to add more travel lanes to the road. Over the course of the Town's development, Norton Road, once rural in character, has evolved into an urban roadway. Geometric issues such as inadequate pavement and shoulder width, steep grade, and insufficient lane capacity have led to an increase in accident rates. When accompanied by increased traffic volumes and left turn movements associated with the relocation of Central High School near the 757 corridor in Norton, the potential for new hazards and serious safety implications is profound. In addition, Wise County has communicated its intent to promote the development of Route 757 as a major commercial corridor. If successful, this area will become a focal point for all retail activities in the county and establish a regional shopping destination. As the 757 corridor develops commercially, it will also become an arterial connecting the population of the Wise area with economic activities occurring along and near Route 757, passing said traffic through Norton Road.

The plans for the Norton Road Improvements Project are nearly ten years old and need to be revised to incorporate changes in field conditions and regulations and to convert metric measures to English measures. Once updated, these plans can be submitted to the Federal Highway Administration for project funding applications.

On November 10, 2012, the Town and Country Garden Club held a ceremony to dedicate the installation of a Blue Star Memorial Marker at the Wise Town Hall to honor all service men and women. The National Council of State Garden Clubs, now known as National Garden Clubs, Inc., started this program in 1945 after World War II. The Town and Country Garden Club coordinated the Blue Star Memorial Project, purchasing and installing the marker and planning the landscaping of the memorial site. This tribute to the armed forces of our country serves as a daily reminder of the sacrifice of those who have defended our country. We are grateful for the leadership of our local Garden Club in this important project.

Providing comprehensive, cost-effective health care benefits for employees is a significant challenge facing employers nationwide, including the Town of Wise. New technology and treatment options and new healthcare reform initiatives have contributed to a quickly evolving healthcare landscape which has included dramatic increases in health insurance premiums. In response, new models for employee health care benefits have emerged that include partnering with the employee and structuring of cost saving initiatives. Escalating benefits costs and declining municipal revenues, required that Town Council make the tough decision to scale back employee health care benefits. In March of 2013 a lower tier of coverage was selected for the workforce which increases employee deductibles and co-pays, and employees will be required to contribute 10% of the monthly premium for coverage. In addition, Town Council also elected to require that employees pay a five percent member contribution for participation in the Virginia Retirement System.

After months of discussion and negotiation, in April of 2013, Town Council and the Wise County Board of Supervisors amended an agreement struck in 2009 regulating provision of Town water and sewer service for properties in the County. The 2009 revenue sharing agreement allowed the Town to share in County tax revenues in exchange for providing the water and sewer service necessary to stimulate the increased development. The 2013 amendments resolved a long-standing controversy surrounding the four-year old facility fee agreement and concluded a stalemate that had slowed new building construction. The amended agreement revised fees and defined service area. This measure helps ensure that there is adequate water and sewer infrastructure in place to meet the needs of the greater Wise area upon which business, industry, and residents can rely for development purposes.

On June 25, 2013, Town Council approved a ten-year lease agreement with Wise County to allow for the installation of a communications receiver antenna on the Town's Airport Road water tank. The antenna and associated ground equipment will provide new and improved communications for all law enforcement agencies in Wise County.

The Town supports a number of charitable institutions, volunteer, and nonprofit organizations which serve residents. Most notable, during Fiscal Year 2013, just over \$105,000 was provided to support the operation of the Wise Volunteer Fire Department, \$11,750 for the Lonesome Pine Regional Library, \$4,000 for the Cumberland Airport Commission, \$9,150 for Pro-Art, \$20,000 for the Wise Rescue Squad, \$2,000 for the Library Art Gallery, and \$2,500 for Appalachian Children's Theatre. In addition, the Town contributed \$1,000 to the Wise Senior Citizens group and provided \$6,000 to assist with Wise Fall Fling festival expenses. The Town also supported the fund-raising activities of the Wise County/City of Norton Chamber of Commerce sponsoring a table at the annual gala.

The region's deep roots in mountain traditions and its strong music heritage are gaining popularity. To build on this cultural resource, the Town continued its financial support of the Southwest Virginia Cultural Heritage Foundation with a \$5,000 contribution. The Foundation is a platform to encourage economic development through cultural heritage ventures, tourism initiatives, and other asset-based enterprises throughout the 19 counties of Southwest Virginia.

Under this umbrella are the familiar Crooked Road musical heritage trail, "Round the Mountain" artisans' network, agritourism trail, and outdoor recreation trails program. It is hoped that this initiative will enhance recognition of the area as a viable tourist destination.

Employees supported the community-wide American Cancer Society's Relay for Life through aggressive fund-raising and fielded a team for the event. The Town sponsored a golf tournament. Monies raised by employees in the fight against cancer exceeded \$11,000 in FY 2013.

Awards

At the Virginia Municipal League Annual Conference held in Williamsburg, Virginia in September of 2012, the Town of Wise received a 2012 VML Achievement Award for the planning, development, and construction of the Big Glades Community Square. Sixty-five entries in five population categories were evaluated on criteria emphasizing innovation, efficiency, and entrepreneurship. A five-judge panel applauded the Town for following through on the vision set forth in its downtown revitalization master plan and for extensively involving residents in the design of the facility. In addition, on April 4, 2013, the Town received an "Award of Excellence" from the Virginia Downtown Development Association for recent revitalization of the central business district and completion of the Big Glades Community Square. Annual Awards of Excellence are presented by the group to showcase the achievements of organizations, individuals, and government in meeting the challenges of downtown management and revitalization. The Big Glades project was completed in August of 2011 and included construction of a 1,100 square foot amphitheater with market bays and dance floor, as well as a ground level water feature, picnic shelters, and public restrooms. Big Glades has become a popular venue for concerts, special events, and recreation.

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, this fiscal year, the Treasurer's office collected 98.7 percent of the current tax levy. In order to facilitate the work of this department, five computer work stations were replaced during the fiscal year.

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 allow the Town 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 13 was \$26,487. This is a small increase from interest earned on temporary investments in FY 12 which totaled \$22,686. Drawdowns of funds banked for planned capital projects limit the amount of money available for investment and anemic market interest rates have also contributed to the low returns.

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 71.29% of General Fund revenues net of any appropriations of prior year end fund balance, for FY 12-13 and falls within the policy guidelines set by Council.

Risk Management

The Town is exposed to various risks of losses. Members of staff use a variety of techniques to identify and monitor its risks and exposures for the activities of the Town and have an ongoing employee safety program to help prevent losses. The Town is a member of the Virginia Municipal Liability Pool and the

Virginia Municipal Group Self Insurance Association. These programs provide self-insurance coverage for workers' compensation, general liability, automobile liability, property and fire protection, public officials' liability, and law enforcement liability.

Public Safety

The Wise Police Department works to provide professional law enforcement services to the citizens of the Town of Wise. The Department is committed to community policing whereby the officer spends time in personal contact with residents and business owners. The Department also provides on-demand crime prevention programs to citizens and organizations, and continues to sponsor the Wise Explorer Post Program. Examples of this work include over 200 school walk-throughs and presentation of programs for the Head Start Program and the Wise Primary School. In addition, officers periodically eat lunch with children at the Primary School. Business bank deposit escorts are routinely provided and over 10,000 business security checks were completed providing opportunities for interaction with the department.

In carrying out its various law enforcement functions this past year, the police department handled 29,798 requests for assistance which led to issuance of 535 summons and 167 arrests. Calls ranged from reports of theft, assault, juvenile crimes, traffic accidents, and family violence incidents, to requests for bank escorts, property checks (23,639 requests), and disabled motorist assists.

In September of 2012, the police department was awarded a \$25,000 grant from USDA Rural Development to reimburse the department for its acquisition of three new police cruisers in the previous year.

Public Works

Much of the work performed by the Public Works Department involves routine maintenance. Utility crews answered 2,600 service calls during normal business hours and responded to 27 after hours call-outs. The Division also installed 23 new water taps, 22 new sewer taps, and replaced 27 meters. Approximately 2,800 feet of new water lines and 2,600 feet of new sewer lines were also constructed. This past year, 6,000 feet of sewer line was filmed and tested, 6 fire hydrants were repaired and 4 were replaced. Personnel also responded to 136 requests for location and marking of underground utilities.

Water losses and associated revenue losses occur in all water utilities. The 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 leakage was 14% in FY 13 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 in order to reduce the severity of storm water problems. The crew also managed all snow and ice removal activities, operated a curbside vacuum leaf collection program from September through December, and carried out a weekly program of street cleaning for major thoroughfares. The Street Department performed routine maintenance for 27 miles of road, roadside, and storm water systems.

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

This year, the Street Department overlaid portions of ten roads in an effort to repair damage associated with the weather, wear and tear, and utility cuts. Maintenance of coal haul routes during FY 12-13 included the pavement of a portion of West Main Street and Birchfield Road.

A four-person sanitation crew collected and transported over 3,700 tons of waste to Wise County's Blackwood Landfill in FY 2013. The crew also operated a residential recycling program consisting of

collection of recyclables from five neighborhood drop centers. At the conclusion of FY 2013, over 45,000 pounds of recyclable material including glass, plastic, aluminum, and newsprint were diverted from the waste stream. In addition, 124 dump truck loads of yard waste were collected and chipped.

In order to facilitate the work of the Public Works Department, one new, one-ton, dual-wheel service truck with utility bed was purchased for the sewer line crew along with one new four wheel drive sport utility vehicle. In addition, one new, heavy-duty, hydraulic snow plow was obtained for use in snow removal operations. Also important was the purchase and installation of new narrow channel bandwidth mobile radios for the entire public works department. The Department was equipped with analogue mobile and portable radios, repeaters, and receivers. The Federal P25 Radio Standard, required the Town to upgrade communications equipment to a digital standard as part of the narrow banding spectrum reallocation. Federal and state funding agencies are now linking system compliance to eligibility for future grant funding.

During fiscal year 2013, the Town completed improvements to the impoundment at Bear Creek Reservoir. USDA Rural Development provided loans of \$3M and a grant of \$1M for this project which included armoring of the face of the dam with roller compacted concrete to channel overtopping flows to the downstream creek without eroding the dam itself, spillway improvements, and construction of sedimentation basins. In addition, a concrete wall installed along the top of the dam enabled the Town to raise the normal pool elevation by five feet to store more water to meet future demand. This portion of the project cost nearly \$500,000. At full pool, the reservoir can now store an extra 80 million gallons of raw water and safe yield has been increased to 1.25MGD. The projected need through the year 2028 is 1.18 MGD.

Two new raw water pumps were purchased and installed at the water treatment plant to replace units with over twenty years of use. Wear and tear had taken a toll on the pumps, breakdowns were occurring with increasing frequency, and repair parts were no longer available. The project cost was just over \$20,000.

Planning and Community Development

The Town of Wise continues to be a commercial center for the county and the region. Within a 20-mile radius of Wise there are 91,470 persons and within a 30-mile radius there are 234,227 persons. As always, the Planning Department in conjunction with the Town Manager's office continues to assist businesses and individuals seeking to invest in Wise providing both information and services. An important part of the Town's economic development initiative is its Enterprise Zone. Businesses located within the boundaries of the Enterprise Zone may qualify for State and local incentives. In 2013, the Town secured approval of the designated zone for another four years through December of 2017.

Unfortunately access to affordable capital and concerns about the local economy have hampered progress in business recruitment. However, despite the challenging financial environment, the Town did post small gains. At the beginning of the year, Wise had 212 established businesses and during FY 2013, 15 new businesses chose to locate in the Town. During FY 13, one building permit was issued for new commercial development.

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. One property was cited for zoning ordinance violations, three properties were cited for property maintenance code violations, and twenty-six requests for mowing of property were sent.

Special events continue to be an important part of a marketing strategy to attract customers, investors, and tourists to Wise. In December, the Town hosted a Christmas Tree Lighting Ceremony in the Gateway Garden to usher in the holiday season. In conjunction with the tree lighting event, the Town also launched a "Shop Local" campaign and contest to educate citizens about the importance of shopping locally and to provide financial incentives for consumers to shop in Wise.

The Big Glades Community Square is an affiliate venue on The Crooked Road, Virginia's Heritage Music Trail. The 2012-2013 event season at Big Glades Community Square kicked off on May 4th with a concert featuring two bands sponsored by Bristol Rhythm & Roots and ended with the 35th Annual Wise County Famous Fall Fling in October. During the summer, eight separate concerts featuring fifteen bands were staged at the amphitheatre and offered free to the public as a result of partnerships with a variety of businesses and organizations. The first annual "Chillin & Grillin in the Glades" event was a big hit and included a barbecue competition, pickin' porch, cruise-in, cornhole tournament, Miss BarbeCUTIE Contest, Kids Corner, and concert by the Grammy award winning group, The Kentucky Headhunters. The Big Glades also hosted "Sons of Sailors", a Jimmy Buffet Tribute Band to a packed crowd. Various genres of music were represented throughout the concert series including blues, jazz, bluegrass, country, golden oldies, and hard rock. In addition, the Town partnered with Sykes Enterprises and the UVA-Wise Alumni Association to host a free outdoor movie series at Big Glades to bring more attention to a revitalized downtown. This popular family-friendly activity featured five movie nights hosted throughout the summer. True to its original design, Big Glades also hosted a weekly Farmers Market each Thursday afternoon. A total of twelve vendors participated throughout the growing season.

In August Cavalier Pharmacy organized an event at Big Glades in celebration of the end of summer and return to school. More than 500 packages of free school supplies were distributed. In addition a number of organizations provided information about healthy living, eating well, and staying active. A Zumba fitness instructor led dance exercise sessions, costumed characters mingled with the crowd, and there was a play area with inflatables. Thirteen churches and a number of other businesses and organizations worked with Cavalier Pharmacy to sponsor the hugely successful event.

In recognition of the importance of the College to this community, the Town manned a welcome booth during Convocation Day in August to welcome new and returning students, faculty, and staff. Informational literature and maps were distributed along with a bag of free complimentary items. Key staff members from various departments were on hand to answer questions.

Each October, the Planning Department and Public Works personnel work with the Wise Business Association to prepare for Wise County's Famous Fall Fling. The celebration features traditional mountain music and an arts and crafts festival. Approximately 150 vendors participated and there were two separate music venues with the main stage at Big Glades hosting seventeen performances. This year's event started on Saturday, October 5th with a beauty pageant and talent show followed by a storefront decorating contest on Tuesday, a Senior Citizens picnic in the park on Wednesday, and a photography/art exhibit and a fashion show on Thursday. Back by popular demand was the community-wide yard sale on Friday leading up to the main events on Saturday and Sunday. More than 5,000 people attended and activities included a 5K run and 1K fitness walk, bicycle poker ride, a memorial baseball classic, chili cook-off, book fair, and writing, photo, art, and pet contests. The Town provides security, traffic control, tent, stage, and food court set-up, garbage collection, and other logistical and support services.

To coincide with Fall Fling's celebration of authentic Appalachian arts and crafts, officials from The Crooked Road organization were present to dedicate the Wise Wayside Exhibit located in downtown Wise. Many of the early musicians featured in the streaming audio at the wayside exhibit were present for the ceremony. The Bluegrass Kinsman with Papa Joe Smiddy, Fiddling Billy Baker, Verlin Sanders, and the Virginia Sweethearts each provided a brief musical performance prior to the wayside ribbon-cutting.

Work continues on the design of a project to enlarge sidewalks, install new street lighting, and construct other streetscape improvements in a portion of the central business district from Spring Street to Railroad Avenue. The project is funded in part by a grant from the Virginia Department of Transportation.

Parks and Recreation

The 2013 pool season began on May 25th and ended on August 18th with just over 8,600 people visiting the facility during that time period. Despite good attendance, fees for services were not sufficient to fund the costs of daily operations and maintenance.

FACTORS AFFECTING FUTURE FINANCIAL CONDITION

The economic condition and outlook for the Town of Wise continues to be very guarded. The presence of the University of Virginia's College at Wise (UVA-Wise) provides many benefits to the local economy. The combination of approximately 2,000 students and almost 300 faculty and staff bring significant potential buying power and tax base to the Town which local merchants can work to capture. The Town continues to coordinate with the College to assure the presence of required infrastructure necessary to facilitate the expansion of campus facilities.

Approximately fifty percent of the land area within Wise consists of slopes exceeding twenty percent which generally precludes any large scale commercial or industrial development. Approximately forty percent of the remaining land area is already principally developed. Further, some of the remaining land area is located within flood prone areas of Glade and Yellow creeks which means that for all practical purposes, there is very little room for additional economic growth in the Town.

Lying within the coalfields of Southwest Virginia, the Town's economic and demographic profile generally reflects the prevailing conditions of the coalfield region. A major weakness of that economy is over dependence on one economic sector for basic employment, namely the coal mining industry. Looking realistically to the future requires that we consider the new economic reality of a long-term recession, legislation and regulations not favorable to the coal industry, and a new focus on natural gas as the preferred fuel source for energy production. This has led to significant job losses and closure of local businesses. In the past, mining payrolls and taxes paid by the coal industry have supported local and state government and contributed to the growth of the coalfield region through various grant programs. In addition, the coal industry has also been a generous supporter of nonprofit and charitable organizations that meet local human service needs. We will be hard-pressed to replace these losses.

Current economic trends reflect continuing unemployment rates that exceed historic averages and limited housing activity. These conditions have and will continue to challenge the Town and the region. A reassessment of property in the Town will be completed by December of 2013. Statewide, a number of localities have seen decreases in values as a result of reassessment. The potential for a possible decline real estate taxes will figure prominently during preparation of the next municipal budget.

Drastic action by the Federal government will be required now and for the foreseeable future in order to restore the nation's solvency. We expect that funding at the Federal level will continue to be diverted to support increasing health care costs and debt service. This will lead to more decreases in current Federal and State aid programs and additional shifting of new costs to localities.

At the same time, the current revenue structure imposed on localities by the State provides few means to address these anticipated difficulties. The Town will have to carefully consider actions being taken at the State and Federal level in setting municipal spending priorities for the next fiscal year.

Mandates for improvements to all the Town's basic infrastructure continue to mount. In addition municipalities are heavy consumers of steel, concrete, stone, fuel, power, and petroleum-based products. The effects of inflation on the cost of these materials and resources are significant. Property taxes have not kept pace with the increases in wages and benefits and the prices of inputs used to provide municipal services.

In the face of multiple challenges, maintaining the Town's financial stability and improving fund balance will be a difficult mission. The Town has made significant strides in increasing revenue from water and sewer operations in order to bring the fund closer to self-sufficiency, but expensive State mandated upgrades of both the water and sewer treatment facilities will require more rate increases and continued efforts to control costs. These mandates and reduced state funding are arguably one of the greatest short-term threats to the financial stability of the Town.

Historically, the governing body has recognized that the quality of service rendered by the Town is directly related to the quality of personnel employed by the Town, and that getting and keeping qualified, dedicated

people to provide services to the citizens is a prerequisite to accomplishment of any and all other goals that the governing body and the citizens might have. Costs of wages and benefits to support these human resources are sizeable and expenses associated with retirement and healthcare programs continue to rise at an alarming rate. The governing body will have to provide policy leadership to strategically reduce expenses while minimizing impact to services if a healthy financial position is to be maintained.

In addition, balancing funding for existing programs and the needs for capital improvements with taxpayer affordability will be an extremely difficult exercise. Creating innovative approaches to service delivery and exploring opportunities for partnerships with other organizations will become increasingly important for sound financial planning.

For the 2012-2013 Fiscal Year, Town Council approved a General Fund Operating Budget of 7.35 million. The Town ended the year with a \$738,591 increase in net change in Fund Balance. This is due in large part to the following isolated occurrences. The Town was successful in collecting a one-time assessment of approximately \$106,000 for prior years' errors by Old Dominion Power Company in calculating and remitting Consumer Utility and Consumption taxes. Also, pursuant to an executed agreement, The Town collected over \$84,000 from the Wise Fire Department for expenses incurred in the previous fiscal year in excess of a grant for construction of the new Burn Building at the Regional Training Center. The Town was awarded a grant from USDA Rural Development in the amount of \$25,000 to reimburse the cost of police vehicles purchased in the previous fiscal year. In addition, the Downtown Streetscape Project languished in the VDOT review process and did not go to construction during FY 2013. Therefore, \$490,588 in local funds budgeted and pledged for payment of construction was not spent in FY 2013.

As these additions to cash will not be recurring, strong financial management and greater reserve will be required in future years. This is especially true in light of recent and anticipated bond issues for water and sewer improvements and the impact that significant increases in debt retirement will have on future rate structures and operating budgets.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Beverly C. Owens". The signature is fluid and cursive, with a large initial "B" and a stylized "O".

Beverly Owens
Town Manager

MEMBERS OF COUNCIL

Erra Sutherland, Mayor

Caynor A. Smith, Jr., Vice-Mayor

Teresa H. Adkins

Billy Bartlett, Jr.

Jeff Dotson

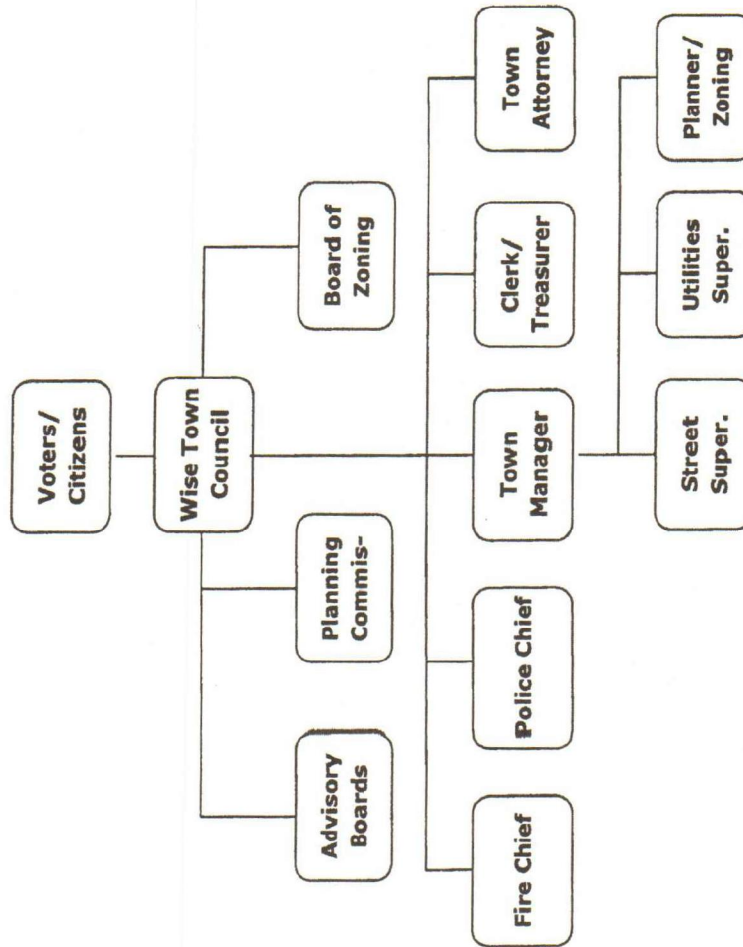
OTHER TOWN OFFICIALS

Beverly Owens, Town Manager

Robin Bryant, Town Treasurer

Tony Bates, 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

MEMBER
TENNESSEE & VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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

email: lsturgill@larrydsturgillcpa.com

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, business-type activities, and each major fund of the Town of Wise, Virginia, as of and for the year ended June 30, 2013, 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 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Wise, Virginia, as of June 30, 2013, 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 39-44 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. In addition, the Schedule of Funding Progress-Virginia Retirement System on page 50 is required to be presented by the Auditor of Public Accounts of the Commonwealth of Virginia. 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.

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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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. 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.

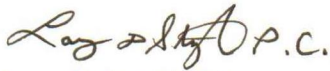
The Honorable Members of Town Council
Town of Wise
Wise, Virginia 24293
Page 3

Other Matters – Other Information (Continued)

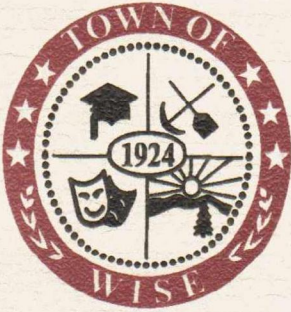
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013, on our consideration of the Town of Wise, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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's internal control over financial reporting and compliance.



Larry D. Sturgill, P.C.
Wise, Virginia
December 12, 2013



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

As management of the Town, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013, 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 of the Town exceeded its liabilities at the close of the most recent fiscal year by \$21,403,637 (net position). Of this amount, \$3,374,691 (unrestricted) may be used to meet the government's ongoing obligations to citizens and creditors from the general fund.
- The Town's total net position increased by \$817,074, of which the governmental activities increased by \$487,176 and business-type activities increased by \$329,898.
- As of the close of the current fiscal year, the Town's general fund reported an ending fund balance of \$3,982,600, an increase of \$738,591 in comparison with the prior year. \$3,042,876 of this total amount is available for spending at the Town's discretion (unassigned fund balance).
- Unassigned fund balance for the general fund was \$3,042,876, or 91.02% percent of total general fund expenditures and 71.29% of total general fund revenues.
- The Town's total debt increased by \$532,581 during the current fiscal year. New debt transactions included USDA Rural Development General Obligation Bonds secured for construction improvements at the Bear Creek Reservoir in the amount of \$600,458.

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;

Overview of the Financial Statements (Continued)

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

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

The Town maintains one type of **Proprietary Funds:** 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 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 7 through 9 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 exceeded liabilities by \$21,403,637 at the close of fiscal year 2013.

The largest portion of the Town's net position (\$16,779,354; 78 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 (Continued)

Town of Wise, Virginia's Net Position

	<u>Primary Governmental Activities</u>	
<u>ASSETS:</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 5,199,635	\$ 3,932,828
Capital assets	<u>19,862,970</u>	<u>19,773,293</u>
Total assets	<u>25,062,605</u>	<u>23,706,121</u>
<u>LIABILITIES:</u>		
Current liabilities	484,900	525,487
Long-term liabilities outstanding	<u>3,174,068</u>	<u>2,594,071</u>
Total Liabilities	3,658,968	3,119,558
<u>NET POSITION:</u>		
Invested in capital assets, net of related debt	16,779,354	17,222,257
Restricted	1,740,180	1,303,853
Unrestricted	<u>2,884,103</u>	<u>2,060,453</u>
Total Net Position	<u>21,403,637</u>	<u>20,586,563</u>
Total Liabilities and Net Position	<u>\$ 25,062,605</u>	<u>\$ 23,706,121</u>

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.

Government-wide Financial Analysis

Governmental Activities – Governmental activities increased the Town's net position by \$487,176. Key elements of this increase are as follows:

Town of Wise, Virginia's Change in Net Position

		Primary Governmental Activities	
		<u>2013</u>	<u>2012</u>
REVENUES:			
Program revenues:			
Charges for services	\$	283,810	\$ 292,545
Operating grants and contributions		289,531	1,107,714
General Revenues:			
Property taxes		636,098	636,194
Other Local taxes		2,079,449	1,976,178
Other		780,096	(836,119)
TOTAL REVENUES	\$	<u>4,068,984</u>	<u>\$ 3,176,512</u>
EXPENSES:			
General government	\$	540,614	\$ 521,651
Public safety		1,222,253	1,221,533
Public works		1,337,781	1,234,521
Health and welfare		5,678	9,920
Parks, recreation and culture		256,865	255,680
Community development		214,827	216,965
Interest Expense		3,790	5,118
TOTAL EXPENSES	\$	<u>3,581,808</u>	<u>\$ 3,465,388</u>
 Increase (decrease) in net assets	\$	487,176	\$ (288,876)
 Net position – June 30, 2012		<u>12,860,475</u>	<u>13,149,351</u>
Net position – June 30, 2013	\$	<u>13,347,651</u>	<u>\$ 12,860,475</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 \$3,982,600, an increase of \$738,591 in comparison with the prior year. \$64,788 (1.62%) 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. Seventy-six percent of this total amount, \$3,042,876 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.

Financial Analysis of the Town's Funds (Continued)

The General Fund is the only operating fund of the Town (Exhibit 3). The General Fund's balance increased \$738,591 (22.76%) during fiscal year 2013 to \$3,982,600, of which \$3,042,876 is unassigned. As one measure of the General Fund's liquidity, it is useful to compare the total of Town's assigned and unassigned fund balances to total revenues. At the end of fiscal year 2013, the General Fund's assigned and unassigned fund balances of \$3,982,600 represents (93.30%) of total General Fund revenues of \$4,268,173. In addition General Fund's unassigned fund balance totaled \$3,042,876 and continues to exceed the 10% minimum set by the Town's fund balance policy. The \$738,591 fiscal year 2013 increase in the General Fund's fund balance resulted from General Fund revenues of \$4,268,173 less expenditures of \$3,342,723 and other financing uses of \$186,859, and was primarily the result of across-the-board expenditure savings as shown on Exhibit 2 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 and sewer fund) have been addressed in the discussion of the Town's business type activities.

General Fund Budgetary Highlights

Differences between the budgeted and the actual amounts represent expenditures being \$3,821,944 lower than anticipated, while revenues were \$3,083,352 lower than anticipated, resulting in a favorable difference of \$738,591 (the net change in fund balance).

Capital Asset and Debt Administration

Capital assets: The Town's investment in capital assets for its governmental fund as of June 30, 2013 amounts to \$9,551,690, net of accumulated depreciation. This investment is in land, buildings and improvements, infrastructure, and machinery and equipment. The total decrease in the Town's investment in capital assets for the current fiscal year was \$442,903.

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

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Land	\$ 1,988,498	\$ 1,988,498
Buildings and Building Improvements	2,685,390	2,628,927
Infrastructure	7,000,799	6,770,891
Equipment	<u>2,882,929</u>	<u>2,921,078</u>
Total	14,557,616	14,309,394
Less: Accumulated Depreciation	<u>(5,005,926)</u>	<u>(4,484,566)</u>
Net Capital Assets	<u>\$ 9,551,690</u>	<u>\$ 9,824,828</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 \$3,083,616, including claims, judgments, and compensated absences of \$126,975. Of this amount \$3,083,616 comprises debt backed by the full faith and credit of the Town.

Capital Asset and Debt Administration (Continued)

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 increased by \$532,581.

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 2013 unemployment rate for the local area was 9.3% percent, which is an increase from a rate of 8.0 % percent a year ago. This is higher than the state's average unemployment rate of 6.0 % percent by an additional 3.3 percent and higher than the national average rate of 7.6% by an additional 1.7 percent.

All of these factors were considered in preparing the Town's budget for the 2013 fiscal year.

Rates

The appropriate tax rates for the 2012-2013 year are as follows: .245 per \$100 value for real estate, mobile home taxes, and public utilities real estate, .53 per \$100 value for personal property, machinery and tools, and public service personal property.

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.

BASIC FINANCIAL STATEMENTS

TOWN OF WISE, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total Primary Governmental Activities
ASSETS			
Current assets:			
Cash and Cash Equivalents	\$ 3,884,464	\$ 104,805	\$ 3,989,269
Receivables, net			
Taxes	145,423	-	145,423
Accounts	44,925	188,161	233,086
Other	3,767	-	3,767
Due from Other Governmental Units	48,120	779,970	828,090
Total current assets	4,126,699	1,072,936	5,199,635
Noncurrent assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	1,988,498	296,000	2,284,498
Other capital assets, net of depreciation	7,563,192	10,015,280	17,578,472
Total capital assets	9,551,690	10,311,280	19,862,970
Total assets	\$ 13,678,389	\$ 11,384,216	\$ 25,062,605
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 86,761	\$ 70,423	\$ 157,184
Accrued liabilities and wages	31,566	19,289	50,855
Compensated Absences	6,268	5,641	11,909
Customer deposits	-	104,805	104,805
Accrued Interest	256	64,607	64,863
General Obligation Bonds Payable	64,788	30,496	95,284
Total current liabilities	189,639	295,261	484,900
Noncurrent liabilities:			
Noncurrent Portion of Compensated Absences	70,429	44,637	115,066
Other Post Employment Benefits	70,670	-	70,670
Noncurrent Portion of Long-term Obligation	-	2,988,332	2,988,332
Total noncurrent liabilities	141,099	3,032,969	3,174,068
Total liabilities	330,738	3,328,230	3,658,968
NET POSITION			
Net investment in capital assets	9,486,902	7,292,452	16,779,354
Restricted For: Cemetery Savings	384,348	-	384,348
Debt Reserves	64,788	800,456	865,244
Transportation	490,588	-	490,588
Unrestricted	2,921,025	(36,922)	2,884,103
Total net position	\$ 13,347,651	\$ 8,055,986	\$ 21,403,637

The accompanying notes are an integral part of the financial statements

**TOWN OF WISE, VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

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	\$ 540,614	\$ -	\$ 180,040	\$ 42,500	\$ (318,074)	\$ -	\$ (318,074)
Public safety	1,222,253	-	102,318	155,000	(964,935)	-	(964,935)
Public works	1,337,781	215,650	2,173	475,281	(644,677)	-	(644,677)
Health & welfare	5,678	-	-	-	(5,678)	-	(5,678)
Parks, recreation and cultural	256,865	68,160	-	-	(188,705)	-	(188,705)
Community development	214,827	-	5,000	-	(209,827)	-	(209,827)
Interest & fiscal charges	3,790	-	-	-	(3,790)	-	(3,790)
Total governmental activities	3,581,808	283,810	289,531	672,781	(2,335,686)	-	(2,335,686)
Business-type Activities:							
Water and sewer	2,607,308	2,170,960	-	554,734	-	118,386	118,386
Total business-type activities	2,607,308	2,170,960	-	554,734	-	118,386	118,386
Total primary government	\$ 6,189,116	\$ 2,454,770	\$ 289,531	\$ 1,227,515	(2,335,686)	118,386	\$ (2,217,300)
General Revenues:							
Taxes:							
Property Taxes, levied for general purposes					636,098	-	636,098
Utility Taxes					48,625	-	48,625
Mineral Taxes					107,043	-	107,043
Franchise Taxes					5,829	-	5,829
Local Sales & Use Taxes					102,950	-	102,950
Other Local Taxes					1,921,228	-	1,921,228
Investment Income					23,813	2,674	26,487
Miscellaneous					162,037	-	162,037
Operating transfers and adjustments					(186,859)	186,859	-
Other					2,098	21,979	24,077
Total general revenues and transfers					2,822,862	211,512	3,034,374
Change in Net Position					487,176	329,898	817,074
Net position - beginning					12,860,475	7,726,088	20,586,563
Net position - ending					\$ 13,347,651	\$ 8,055,986	\$ 21,403,637

The accompanying notes are an integral part of the financial statements

**TOWN OF WISE, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2013**

	<u>General Fund</u>	<u>Total</u>
ASSETS		
Cash and cash equivalents	\$ 3,884,464	\$ 3,884,464
Receivables, net:		
Taxes	145,423	145,423
Accounts	44,925	44,925
Other	3,768	3,768
Due from other governments	48,120	48,120
Total assets	<u>\$ 4,126,700</u>	<u>\$ 4,126,700</u>
LIABILITIES		
Accounts payable	\$ 86,761	\$ 86,761
Accrued payroll and related liabilities	31,566	31,566
Total liabilities	<u>118,327</u>	<u>118,327</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	25,773	25,773
Total deferred inflows of resources	<u>25,773</u>	<u>25,773</u>
FUND BALANCES		
Nonspendable for cemetery	384,348	384,348
Restricted For: Debt Service	64,788	64,788
Transportation	490,588	490,588
Unassigned funds	3,042,876	3,042,876
Total fund balances	<u>3,982,600</u>	<u>3,982,600</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,100,927</u>	<u>\$ 4,100,927</u>

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

Total Fund Balances \$ 3,982,600

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 \$14,557,616 and the accumulated depreciation is \$5,005,927 9,551,689

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures and are not included in the governmental funds. 25,773

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:

Bond payable (\$64,788)	
Other Post Employment Benefit (70,670)	
Accrued interest payable (256)	
Compensated absences (76,697)	<u>(212,411)</u>

Net Position of Governmental Activities \$ 13,347,651

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, 2013

EXHIBIT 4

	<u>General Fund 2013</u>	<u>General Fund 2012</u>
REVENUES		
General property taxes	\$ 637,442	\$ 638,392
Other local taxes	2,196,320	1,965,533
Permits, privilege fees and regulatory licenses	1,562	1,674
Fines and forfeitures	17,386	16,637
Revenue from the use of money and property	23,813	29,979
Charges for services	283,810	292,545
Miscellaneous	188,027	141,993
Intergovernmental	<u>919,813</u>	<u>1,107,713</u>
Total revenues	<u>4,268,173</u>	<u>4,194,466</u>
EXPENDITURES		
Current:		
General government administration	518,891	490,230
Public safety	1,174,226	1,592,775
Public works	1,289,244	1,326,770
Health & Welfare	5,678	9,920
Parks, recreation and cultural	152,531	213,748
Community development	135,408	354,995
Debt Service:		
Principal Retirement	62,706	60,779
Interest	<u>4,039</u>	<u>5,965</u>
Total expenditures	<u>3,342,723</u>	<u>4,055,182</u>
Excess (deficiency) of revenues over expenditures	<u>925,450</u>	<u>139,284</u>
OTHER FINANCING SOURCES (USES)		
Loan proceeds	-	-
Operating transfers	<u>(186,859)</u>	<u>(1,026,431)</u>
Total other financing sources (uses)	<u>(186,859)</u>	<u>(1,026,431)</u>
Net change in fund balance	738,591	(887,147)
Fund balance - beginning	<u>3,244,009</u>	<u>4,131,156</u>
Fund balance - ending	<u>\$ 3,982,600</u>	<u>\$ 3,244,009</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, 2013

EXHIBIT 5

	<u>General Fund</u>
Amounts Presented for Governmental Activities in the statement of activities are different because:	
Net Change in Fund Balance- total governmental fund	\$ 738,591
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.	(272,800)
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 revenue decreased by this amount this year.	(2,389)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.	62,706
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.	(31,317)
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.	(7,615)
Total change in net position of governmental activities	<u>\$ 487,176</u>

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

TOWN OF WISE, VIRGINIA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
June 30, 2013

	<u>2013</u> <u>Enterprise Fund</u> <u>Water &</u> <u>Sewer</u>	<u>Total</u>
ASSETS		
Current assets:		
Cash & cash equivalents-restricted	\$ 104,805	\$ 104,805
Receivables, net	188,161	188,161
Due from other Governmental Units	779,970	779,970
Total current assets	<u>1,072,936</u>	<u>1,072,936</u>
Noncurrent Assets:		
Capital assets, depreciable, net	10,015,280	10,015,280
Capital assets, non-depreciable	296,000	296,000
Total noncurrent assets	<u>10,311,280</u>	<u>10,311,280</u>
Total assets	<u>\$ 11,384,216</u>	<u>\$ 11,384,216</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 70,423	\$ 70,423
Accrued wages and liabilities	19,289	19,289
Customer deposits	104,805	104,805
Compensated absences-current	5,641	5,641
General obligation bonds payable-current	30,496	30,496
Total current liabilities	<u>230,654</u>	<u>230,654</u>
Noncurrent liabilities:		
Compensated Absences-noncurrent	44,637	44,637
Accrued interest	64,607	64,607
General obligation bonds payable-noncurrent	2,988,332	2,988,332
Total noncurrent liabilities	<u>3,097,576</u>	<u>3,097,576</u>
Total liabilities	<u>3,328,230</u>	<u>3,328,230</u>
NET POSITION		
Net investment in capital assets	7,292,452	7,292,452
Restricted-debt reserves	800,456	800,456
Unrestricted	(36,922)	(36,922)
Total net position	<u>\$ 8,055,986</u>	<u>\$ 8,055,986</u>

The accompanying notes are an integral part of the financial statements

TOWN OF WISE, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>2013</u> <u>Enterprise Fund</u> <u>Water &</u> <u>Sewer</u>	<u>2012</u> <u>Enterprise Fund</u> <u>Water &</u> <u>Sewer</u>
OPERATING REVENUES		
Charges for services	\$ 2,003,383	\$ 2,041,581
Connection charges	96,938	112,258
Miscellaneous	<u>70,639</u>	<u>74,745</u>
Total operating revenues	<u>2,170,960</u>	<u>2,228,584</u>
OPERATING EXPENSES		
Personnel services	865,620	795,777
Fringe benefits	489,997	431,897
Contractual services	47,615	50,168
Utilities & Telephone	69,844	65,780
Materials & Supplies	191,203	176,737
Other charges	502,699	765,510
Depreciation	<u>440,330</u>	<u>421,899</u>
Total operating expenses	<u>2,607,308</u>	<u>2,707,768</u>
Operating income (loss)	<u>(436,348)</u>	<u>(479,184)</u>
NONOPERATING REVENUES (EXPENSES)		
Miscellaneous Income	-	-
Interest Income/(Expense)	23,516	(18,445)
Gain (Loss) on Sale of Assets	<u>1,137</u>	<u>2,260</u>
Total nonoperating revenue (expenses)	<u>24,653</u>	<u>(16,185)</u>
Income (loss) before contributions and transfers	(411,695)	(495,369)
Operating Transfer In	186,859	1,026,431
Contribution from Other Governmental Units	<u>554,734</u>	<u>-</u>
Change in net position	329,898	531,062
Total net position, beginning	<u>7,726,088</u>	<u>7,195,026</u>
Total net position, ending	<u>\$ 8,055,986</u>	<u>\$ 7,726,088</u>

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

**TOWN OF WISE, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>2013</u>	
	<u>Enterprise Fund</u>	
	<u>Water & Sewer</u>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,422,934	
Cash payments to suppliers	(1,382,857)	
Cash payments to employees	(862,260)	
Other operating revenues	-	
Net cash provided (used) by operating activities		177,817
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Penalties and interest charges	-	
Increase (decrease) in customer deposits	(1,650)	
Net cash provided (used) by noncapital financing activities		(1,650)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(713,082)	
Operating transfers from other funds	186,859	
Loan proceeds	175,222	
Principal paid on revenue bond	(5,171)	
Interest paid on revenue bonds	(25,456)	
Contributions and Grants	200,000	
Gain from sale of capital assets	1,137	
Net cash provided (used) by capital and related financing activities		(180,491)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments	2,674	
Net cash provided (used) by investing activities		2,674
Net increase (decrease) in cash and cash equivalents		(1,650)
Cash balances, beginning		106,455
Cash balances, ending		<u>\$ 104,805</u>

Disclosure of Accounting Policy

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

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

**TOWN OF WISE, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**EXHIBIT 8
Page 2**

	<u>2013</u>
	<u>Enterprise Fund</u>
	<u>Water & Sewer</u>
Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating income (loss)	\$ (436,348)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	440,330
Change in Assets & Liabilities:	
(Increase) decrease in accounts receivable	251,974
Increase (Decrease) in accounts payable	(81,499)
Increase (Decrease) in accrued liabilities	737
Increase (Decrease) in accrued vacation	2,623
Total adjustments	614,165
Net cash provided by operating activities	\$ 177,817

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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.

The government reports the following major governmental funds:

NOTES TO FINANCIAL STATEMENTS

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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 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.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$42,427 at June 30, 2013, and is composed of the following:

	<u>Amount</u>
<u>General Fund:</u>	
Property Tax Receivable	\$ 8,460
Garbage Receivable	5,830
<u>Water and Sewer Fund:</u>	
Accounts Receivable	28,137
TOTAL	<u>\$ 42,427</u>

NOTE 2: CASH AND INVESTMENTS

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

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4: DUE FROM OTHER GOVERNMENTAL UNITS

	<u>Amount</u>	<u>Total</u>
<u>Treasurer of Wise County:</u>		
Sales Tax	\$ 17,680	
Court Fines	1,653	
Coal Road Improvement	<u>19,475</u>	
Total Treasurer of Wise County		\$ <u>38,808</u>
<u>Commonwealth of Virginia:</u>		
Consumption Tax	863	
Communication Tax	<u>8,449</u>	
Total Commonwealth of Virginia		<u>9,312</u>
<u>U.S. Department of Agriculture:</u>		
Reservoir Improvements Project	<u>779,970</u>	
Total Commonwealth of Virginia		<u>779,970</u>
TOTAL DUE		\$ <u>828,090</u>

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 no item that meets this criterion. 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 \$25,773, comprised of uncollected tax billings not available for funding of current expenditures as of June 30, 2013.

NOTE 6: CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>BALANCE BEGINNING</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE ENDING</u>
Land, non-depreciable	\$ 1,988,498	\$ -	\$ -	\$ 1,988,498
Buildings	2,628,927	56,463	-	2,685,390
Infrastructure	6,770,891	229,908	-	7,000,799
Equipment	<u>2,921,078</u>	<u>29,497</u>	<u>67,646</u>	<u>2,882,929</u>
TOTAL	<u>14,309,394</u>	<u>315,868</u>	<u>67,646</u>	<u>14,557,616</u>
		Less: Accumulated Depreciation		<u>(5,005,926)</u>
		NET CAPITAL ASSETS		\$ <u>9,551,690</u>

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6: CHANGES IN GENERAL FIXED ASSETS (Continued)

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

General government	\$ 3,147
Public Safety	97,368
Public Works	323,298
Parks, Recreation, & Cultural	82,684
Community Development	82,171
Total depreciation expense	<u>\$ 588,668</u>

NOTE 7: PROPRIETARY FIXED ASSETS

A summary of proprietary fund property, plant and equipment at June 30, 2013 follows:

	Water & Sewer
Land	\$ 296,000
Buildings	271,817
Improvements other than Buildings	14,782,402
Equipment	1,160,541
TOTAL	16,510,760
Less: Accumulated Depreciation	(6,199,480)
NET	<u>\$ 10,311,280</u>

NOTE 8: LONG-TERM DEBT

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

Bonds and Notes Payable			
Year Ended June 30,	Principal	Interest	Total
2014	\$ 95,284	\$ 97,795	\$ 193,079
2015	37,849	113,639	\$ 151,488
2016	39,269	112,219	\$ 151,488
2017	40,744	110,744	\$ 151,488
2018	42,278	109,210	\$ 151,488
2019-2023	236,600	520,840	\$ 757,440
2024-2028	285,162	472,278	\$ 757,440
2029-2033	344,221	413,219	\$ 757,440
2034-2038	416,128	341,312	\$ 757,440
2039-2043	503,773	253,667	\$ 757,440
2044-2048	610,708	146,733	\$ 757,440
2049-2053	431,601	27,110	\$ 458,711
TOTALS	<u>\$ 3,083,616</u>	<u>\$ 2,718,766</u>	<u>\$ 5,802,382</u>

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013:

Primary Government	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bond-Series 1994	\$ 127,494	\$ -	\$ 62,706	\$ 64,788	\$ 64,788
Total Governmental Activities	127,494	-	62,706	64,788	64,788
<u>Business-Type Activities:</u>					
General Obligation Bond-Series 2011A	1,673,541	600,458	4,092	2,269,907	20,528
General Obligation Bond-Series 2011B	750,000	-	1,079	748,921	9,968
Total Business-Type Activities	2,423,541	600,458	5,171	3,018,828	30,496
Total Primary Government	\$ 2,551,035	\$ 600,458	\$ 67,877	\$ 3,083,616	\$ 95,284

DETAILS OF LONG-TERM INDEBTEDNESS

**AMOUNT
OUTSTANDING**

GENERAL FUND:

General Obligation Bond:

An \$875,555 General Obligation Refunding Bond was issued April 10, 2003 to Blue Ridge Bank for the refinancing of a general obligation bond. Of the refunding bond, 71% was allocated to the general fund. A principal payment is due annually and interest is paid semi-annually at 3.10% interest rate.

	\$ 64,788
Total General Obligation Bonds	64,788
Total Compensated Absences	76,697
Total General Long-term obligation Debt	\$ 141,485

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 8: LONG-TERM DEBT (Continued)

DETAILS OF LONG-TERM INDEBTEDNESS CONTINUED

	<u>AMOUNT OUTSTANDING</u>
ENTERPRISE FUND:	
General Obligation Bonds:	
A \$2,274,000 General Obligation Water Bond was issued April 26, 2011, through Rural Development Authority at a rate of 4.25% 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 \$10,074 shall be payable beginning on September 9, 2013.	\$ 2,269,907
A \$750,000 General Obligation Water Bond was issued April 26, 2011, through Rural Development Authority at a rate of 2.50% per year. Interest only shall be payable on August 9, 2012, and August 9, 2013. Monthly installments of combined principal and interest in the amount of \$2,550 shall be payable beginning on September 9, 2013.	<u>748,921</u>
Total General Obligation Bonds	3,018,828
Total Compensated Absences	<u>50,278</u>
Total Enterprise Long-term obligation Debt	<u>\$ 3,069,106</u>

NOTE 9: DEFINED BENEFIT PENSION PLAN

A. Plan Description

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

All full-time, salaried, permanent employees of the Commonwealth of Virginia or of any participating Virginia city, county, town or political subdivision or of any local Virginia school boards are eligible to become members of VRS. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

VRS administers defined benefit plans for local government employees – Members hired prior to July 1, 2010 are in Plan 1. Members hired on or after July 1, 2010 are in Plan 2. Members in Plan 1 that are vested as of January 1, 2013 will be covered under benefits of the Prior Plan, while members in Plan 1 that are not vested as of January 1, 2013 and all Plan 2 members will be covered under benefits of the New Plan.

Non-hazardous duty members under the Prior Plan are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire early with a reduced benefit at age 50 with at least 10 years of service credit or age 55 with at least five years of service credit. Non-hazardous duty members under the New Plan are eligible for an unreduced retirement benefit after reaching Social Security normal retirement age plus five years of service. They may retire early with a reduced benefit at age 60 with five years of service, or upon the sum of their age and their service being 90 (Rule of 90).

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

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under the Prior Plan, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under the New Plan, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70% for members of the Prior Plan. Non-hazardous duty members of the New Plan have a retirement multiplier of 1.70% up to January 1, 2013 plus 1.65% from January 1, 2013. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.85%.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under the Prior Plan, the COLA cannot exceed 6.50%; under the New Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2013 was 8.60% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2013, the Town's annual pension cost of \$179,791 was equal to the Town's required and actual contributions.

Three-Year Trend Information for Town

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
June 30, 2011	67,622	100%	-0-
June 30, 2012	75,717	100%	-0-
June 30, 2013	179,791	100%	-0-

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2012 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012 for the Unfunded Actuarial Accrued Liability (UAAL) was 29 years.

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 80.52% funded. The actuarial accrued liability for benefits was \$8,536,985 and the actuarial value of assets was

\$6,873,906, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,663,079. The covered payroll (annual payroll of active employees covered by the plan) was \$1,947,445, and ratio of the UAAL to the covered payroll was 85.40%.

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 10: **CONTINGENT LIABILITIES**

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

NOTE 11: **SURETY BONDS**

Position Fidelity Schedule Bond:

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

NOTE 12: **CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES**

In accordance with NCGA Statement 4 "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences", the Town has accrued the liability arising from outstanding claims and judgments and compensated absences. Town employees earn sick leave at the rate of one day per month and vacation time is accrued based on length of service. No benefits or pay are received for unused sick leave upon termination. Accumulated vacation, up to the specified maximum, is paid upon termination. The Town has outstanding accrued vacation pay totaling \$76,697 in the General Long-Term Obligation Account Group and \$50,278 in the Water and Sewer Fund, with \$6,268 and \$5,641, respectively, expected to be paid within one year.

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, 2013 amounted to \$25,456.

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

NOTE 14: **LITIGATION**

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 15: GASB 54 FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS

Purpose

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

Components of Fund Balance

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

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 15: **GASB 54 FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE**
DEFINITIONS (Continued)

Minimum Unassigned Fund Balance Policy

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

Resource Flow Policy

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

NOTE 16: **OTHER POST-EMPLOYMENT BENEFITS**

PLAN DESCRIPTION

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

A. Health Plan Eligibility

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

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

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

B. Health Plan Benefits

Coverage is for the retiree and eligible spouses/dependents.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 16: OTHER POST-EMPLOYMENT BENEFITS (Continued)

C. Retiree Contributions

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

D. Disability Retirement Benefit

The Plan does not include any disability retirement benefits.

E. Death Benefit

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

F. Withdrawal Benefit

The Plan does not include a withdrawal benefit.

G. Benefit Service

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

ANNUAL COST

SCHEDULES OF EMPLOYER CONTRIBUTIONS			
FISCAL YEAR ENDING 6/30	ANNUAL OPEB COST	ACTUAL CONTRIBUTION	PERCENT FUNDED
2009	\$ 18,200	\$ -	0.00%
2010	19,175	11,050	57.63%
2011	19,908	15,282	76.76%
2012	26,427	8,330	31.52%
2013	27,802	6,180	22.23%

The FY 2013 required contribution was determined as part of the January 1, 2012 actuarial valuation using the Projected Unit Credit actuarial cost method. The actuarial assumptions at January 1, 2012 included an investment rate of return of 4.0%, and a projected salary increase of 3.75% per year. The annual required contribution (ARC) was calculated as the normal cost plus the 30-year amortization (30 years remaining as of January 1, 2012) of the unfunded portion of actuarial accrued liability. The amortization amount was determined as a level percent of payroll. The Health Cost Trend Assumption was based on the Getzen Trend Model – 7.2% graded to 4.80% over 83 years.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 16: OTHER POST-EMPLOYMENT BENEFITS (Continued)

The Schedule of Funding Progress, and the Calculation of Net OPEB Obligation (NOO) are located in Schedule 9 after the notes to the financial statements.

NOTE 17: OTHER INFORMATION

Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013.

Statement No. 65, *Items Previously Reported as Assets and Liabilities*; and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62* have an effective date of June 30, 2014.

GASB Statement No. 60 provides accounting and financial reporting guidance related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard establishes criteria for determining whether a SCA exists, how to account for SCAs, and requires certain disclosures associated with a SCA.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

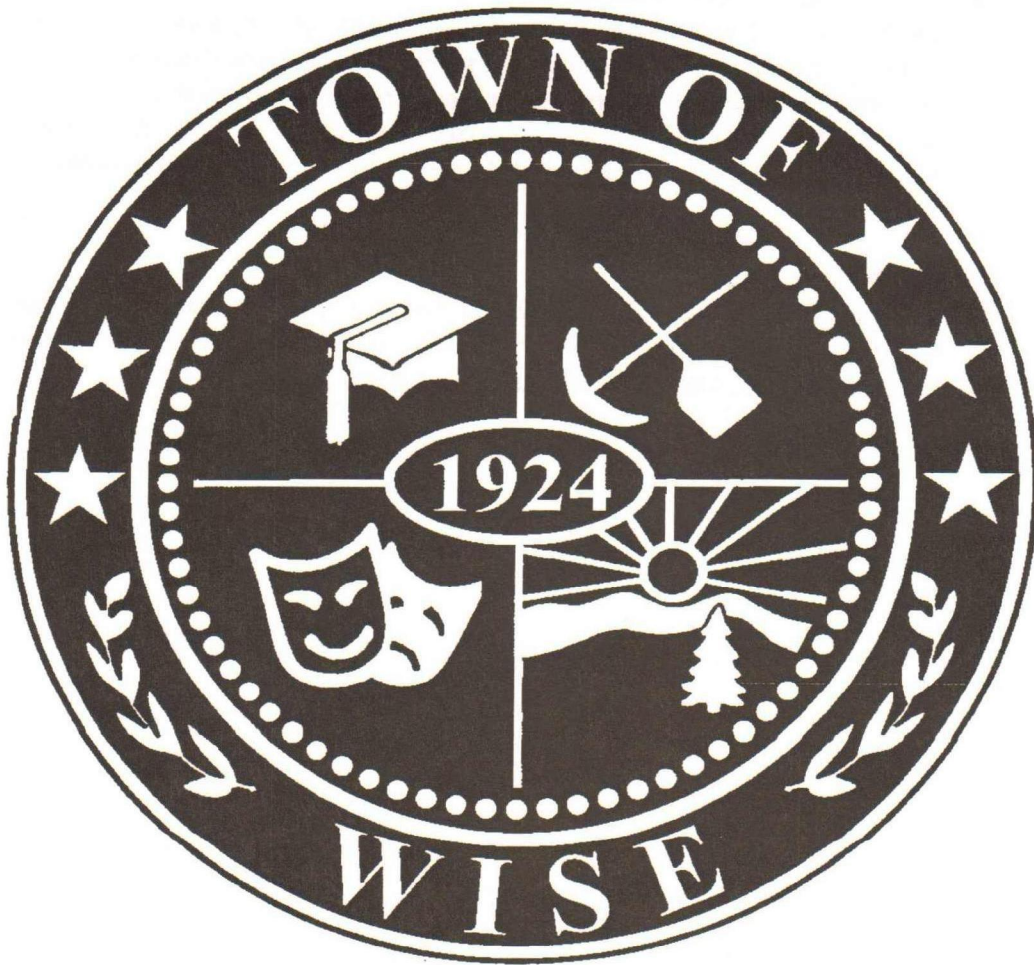
TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 17: OTHER INFORMATION (Continued)

GASB Statement No. 66 resolves conflicting guidance by removing the provision that limits fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66, decisions about fund type classifications are based on the nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modified guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

Subsequent Events

In August, 2013, the Town received \$425,236 from the United States Department of Agriculture as part of the General Obligation Bond-Series 2011A for improvements to the Bear Creek Reservoir. See Note 8 for additional details on the bond.



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SCHEDULES OF CAPITAL ASSETS

**TOWN OF WISE, VIRGINIA
SCHEDULE OF CAPITAL ASSETS BY SOURCE
FOR THE YEAR ENDED JUNE 30, 2013**

EXHIBIT 9

	<u>TOTAL</u>
CAPITAL ASSETS	
Land	\$ 2,284,498
Building and Building Improvements	2,957,207
Infrastructure	21,783,201
Equipment	<u>4,043,470</u>
TOTAL CAPITAL ASSETS	<u><u>\$ 31,068,376</u></u>

	<u>TOTAL</u>
INVESTMENT IN CAPITAL ASSETS BY SOURCE	
Enterprise Fund Revenues	\$ 13,494,116
Enterprise Fund Indebtedness	3,018,828
General Fund Revenues	14,490,644
General Fund Indebtedness	<u>64,788</u>
TOTAL INVESTMENT IN CAPITAL ASSETS	<u><u>\$ 31,068,376</u></u>

**TOWN OF WISE, VIRGINIA
SCHEDULE OF CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2013**

EXHIBIT 10

	<u>LAND</u>	<u>BUILDING and BUILDING IMPROVEMENTS</u>	<u>INFRA- STRUCTURE</u>	<u>EQUIPMENT</u>	<u>TOTAL</u>
PRIMARY GOVERNMENT					
General Government Adm	\$ 1,988,498	\$ 1,612,461	\$ -	\$ 66,304	\$ 3,667,263
Judicial Administration	-	-	-	-	-
Public Safety	-	911,457	-	1,436,773	2,348,230
Public Works	-	161,472	3,281,620	1,243,508	4,686,600
Health & Welfare	-	-	-	-	-
Education	-	-	-	-	-
Parks, Recreation & Cultural	-	-	1,857,329	84,514	1,941,843
Community Development	-	-	1,861,850	51,830	1,913,680
TOTAL CAPITAL ASSETS	<u><u>\$ 1,988,498</u></u>	<u><u>\$ 2,685,390</u></u>	<u><u>\$ 7,000,799</u></u>	<u><u>\$ 2,882,929</u></u>	<u><u>\$ 14,557,616</u></u>



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SUPPLEMENTARY SCHEDULES

TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF REVENUES - BUDGET & ACTUAL
YEAR ENDED JUNE 30, 2013

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	\$ 443,000	\$ 443,000	\$ 480,627	\$ 37,627
Real & Personal Public Service				
Corporation Property Taxes	10,000	10,000	13,901	3,901
Personal Property Taxes	103,310	103,310	127,719	24,409
Penalties & Interest	6,500	6,500	15,195	8,695
TOTAL PROPERTY TAXES	562,810	562,810	637,442	74,632
Other Local Taxes:				
Local Sales & Use Taxes	105,000	105,000	113,595	8,595
Consumer Utility Taxes	45,000	45,000	129,706	84,706
Consumption Tax	8,000	8,000	25,145	17,145
Business License Taxes	375,800	375,800	435,510	59,710
Franchise License Taxes	5,000	5,000	5,829	829
Motor Vehicle Licenses	28,000	28,000	28,472	472
Bank Stock Taxes	105,000	105,000	139,887	34,887
Transient Lodging Taxes	46,000	46,000	51,449	5,449
Coal Road Improvement Taxes	190,000	190,000	107,043	(82,957)
Cigarette Tax	68,000	68,000	82,765	14,765
Meal Tax	1,000,000	1,000,000	1,076,919	76,919
TOTAL OTHER LOCAL TAXES	1,975,800	1,975,800	2,196,320	220,520
Permits, Privilege Fees &				
Regulatory Licenses:				
Animal License	500	500	912	412
Permits	750	750	650	(100)
TOTAL REGULATORY LICENSES	1,250	1,250	1,562	312
Fines & Forfeitures	200	200	17,386	17,186
Revenue From Use of Money & Property:				
Interest and Rent Revenue	42,500	42,500	23,813	(18,687)
TOTAL REVENUE FROM USE OF MONEY & PROPERTY	42,500	42,500	23,813	(18,687)

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

**TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF REVENUES - BUDGET & ACTUAL
YEAR ENDED JUNE 30, 2013**

**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	\$ 78,000	\$ 78,000	\$ 68,160	\$ (9,840)
Charges For Sanitation & Waste Removal	200,000	200,000	215,650	15,650
TOTAL CHARGES FOR SERVICES	278,000	278,000	283,810	5,810
Miscellaneous Revenue:				
Sale of Cemetery Plots	10,000	10,000	7,160	(2,840)
Sale of Property	100	100	3,643	3,543
County of Wise-Payment in Lieu of Taxes	5,000	5,000	-	(5,000)
Coal Severance Committee Appropriation	40,000	40,000	42,500	2,500
Miscellaneous	1,270	1,270	134,724	133,454
TOTAL MISCELLANEOUS REVENUE	56,370	56,370	188,027	131,657
TOTAL REVENUE FROM LOCAL SOURCES	2,916,930	2,916,930	3,348,360	431,430
Revenue From The Commonwealth:				
Non-Categorical Aid:				
Mobile Home Titling Tax	10,000	10,000	11,079	1,079
Rolling Stock Tax	10	10	18	8
Car Rental Tax	1,800	1,800	628	(1,172)
Financial Assistance To Police Dept.	73,000	73,000	76,980	3,980
PPTRA Tax Relief	55,000	55,000	57,392	2,392
Communications Sales & Use Tax	95,000	95,000	110,924	15,924
TOTAL NON-CATEGORICAL AID	234,810	234,810	257,021	22,211
Categorical Aid:				
Other Categorical Aid:				
Street & Highway Maintenance	430,000	430,000	464,141	34,141
Litter Grant	1,500	1,500	2,173	673
Fire Programs	8,000	8,000	9,372	1,372
Virginia Commission of Arts	5,000	5,000	5,000	-
Byrnes Justice Assistance Grant	3,150	3,150	1,214	(1,936)
VDOT Enhancement Grant	415,000	415,000	11,140	(403,860)
VDFP Burn Building Grant	100,000	100,000	130,000	30,000
VDEM Disaster Assistance	-	-	-	-
DMV Highway Safety Grant	1,000	1,000	-	(1,000)
TOTAL CATEGORICAL AID	963,650	963,650	623,040	(340,610)
TOTAL REVENUE FROM THE COMMONWEALTH	1,198,460	1,198,460	880,061	(318,399)

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

**TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF REVENUES - BUDGET & ACTUAL
YEAR ENDED JUNE 30, 2013**

**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:				
FEMA Disaster Assistance	\$ -	\$ -	\$ -	\$ -
RD-CF Grant Police Cars	-	-	25,000	25,000
COBRA Premium Assistance Payments	100	100	-	(100)
Selective Enforcement Grant	17,750	17,750	14,752	(2,998)
Ground Transportation Systems	-	-	-	-
TOTAL CATEGORICAL AID	<u>17,850</u>	<u>17,850</u>	<u>39,752</u>	<u>21,902</u>
TOTAL REVENUE FROM THE FEDERAL GOVT.	<u>17,850</u>	<u>17,850</u>	<u>39,752</u>	<u>21,902</u>
Suppl. Approp. From Prior Year Fund Bal.	<u>3,218,285</u>	<u>3,218,285</u>	<u>-</u>	<u>(3,218,285)</u>
TOTAL GENERAL FUND	<u>\$ 7,351,525</u>	<u>\$ 7,351,525</u>	<u>\$ 4,268,173</u>	<u>\$ (3,083,352)</u>

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

**TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL
YEAR ENDED JUNE 30, 2013**

**SCHEDULE 2
Page 1**

FUND, MAJOR & MINOR EXPENDITURE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Government Administration:				
Legislative:				
Town Council	\$ 86,290	\$ 86,290	\$ 65,022	\$ 21,268
TOTAL LEGISLATIVE	86,290	86,290	65,022	21,268
General & Financial Administration:				
Employee Benefits	40,400	40,400	32,490	7,910
Manager	102,460	102,460	97,081	5,379
Professional Services	50,100	50,100	28,869	21,231
Treasurer	189,825	189,825	165,962	23,863
Risk Management	105,680	105,680	85,240	20,440
Data Processing	81,140	81,140	44,227	36,913
TOTAL GENERAL & FINANCIAL ADMINISTRATION	569,605	569,605	453,869	115,736
TOTAL GENERAL GOVERNMENT ADMINISTRATION	655,895	655,895	518,891	137,004
Public Safety:				
Law Enforcement & Traffic Control:				
Police Department	1,140,070	1,140,070	1,007,953	132,117
TOTAL LAW ENFORCEMENT & TRAFFIC CONTROL	1,140,070	1,140,070	1,007,953	132,117
Fire & Rescue Services:				
Volunteer Fire Department	239,260	239,260	145,673	93,587
Ambulance & Rescue Service	20,000	20,000	20,000	-
TOTAL FIRE & RESCUE SERVICES	259,260	259,260	165,673	93,587
Correction & Detention:				
Court Expense	3,000	3,000	600	2,400
TOTAL COURT EXPENSE	3,000	3,000	600	2,400

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

TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL
YEAR ENDED JUNE 30, 2013

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	1,402,330	1,402,330	1,174,226	228,104
Public Works:				
Maintenance of Highways, Streets, Bridges, and Sidewalks:				
General Administration	256,385	256,385	43,261	213,124
Storm Drainage	13,000	13,000	9,721	3,279
Street Maintenance	1,823,900	1,823,900	739,138	1,084,762
Street Lights	65,000	65,000	52,317	12,683
Snow & Ice Removal	89,350	89,350	61,012	28,338
TOTAL MAINTENANCE OF HIGHWAYS, STREETS, BRIDGES, & SIDEWALKS	2,247,635	2,247,635	905,449	1,342,186
Sanitation & Waste Removal:				
General Engineering/Administration:				
Solid Waste Removal	276,250	276,250	265,878	10,372
TOTAL SANITATION & WASTE REMOVAL	276,250	276,250	265,878	10,372
Maintenance of General Buildings and Grounds:				
General Engineering/Administration:				
General Properties	210,060	210,060	117,916	92,144
TOTAL MAINTENANCE OF GENERAL BUILDINGS & GROUNDS	210,060	210,060	117,916	92,144
TOTAL PUBLIC WORKS	2,733,945	2,733,945	1,289,243	1,444,702
Health and Welfare:				
Welfare Social Service:				
Property Tax Relief for Elderly	10,000	10,000	5,678	4,322
TOTAL HEALTH AND WELFARE	10,000	10,000	5,678	4,322

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

TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL
YEAR ENDED JUNE 30, 2013

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	\$ 104,500	\$ 104,500	\$ 54,133	\$ 50,367
Swimming Pool	184,750	184,750	72,556	112,194
Cemeteries	3,000	3,000	1,092	1,908
TOTAL PARKS & RECREATION	<u>292,250</u>	<u>292,250</u>	<u>127,781</u>	<u>164,469</u>
Cultural Enrichment:				
Pro Art Association	8,000	8,000	8,000	-
The Crooked Road	-	-	-	-
Library Art Gallery	2,000	2,000	2,000	-
Appalachian Children's Theatre	4,000	4,000	2,000	2,000
Regional Library	12,750	12,750	12,750	-
TOTAL CULTURAL ENRICHMENT	<u>26,750</u>	<u>26,750</u>	<u>24,750</u>	<u>2,000</u>
TOTAL PARKS, RECREATION, & CULTURAL	<u>319,000</u>	<u>319,000</u>	<u>152,531</u>	<u>166,469</u>
Community Development:				
Planning & Community Development:				
Planning	193,620	193,620	101,767	91,853
Cumberland Airport Commission	4,000	4,000	4,000	-
Wise County IDA - The Inn	-	-	-	-
Miscellaneous	3,000	3,000	29,641	(26,641)
TOTAL COMMUNITY DEVELOPMENT	<u>200,620</u>	<u>200,620</u>	<u>135,408</u>	<u>65,212</u>
Debt Service:				
Principal Curtailments	173,000	173,000	62,706	110,294
Interest & Fiscal Charges	4,100	4,100	4,039	61
TOTAL DEBT SERVICE	<u>177,100</u>	<u>177,100</u>	<u>66,745</u>	<u>110,355</u>
Transfer to Water/Sewer Fund	<u>1,852,635</u>	<u>1,852,635</u>	<u>186,859</u>	<u>1,665,776</u>
TOTAL GENERAL FUND	<u>\$ 7,351,525</u>	<u>\$ 7,351,525</u>	<u>\$ 3,529,581</u>	<u>\$ 3,821,944</u>

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

TOWN OF WISE, VIRGINIA

SCHEDULE 3

GENERAL GOVERNMENT REVENUES BY SOURCE
LAST TEN FISCAL YEARS

FISCAL YEAR	GENERAL PROPERTY TAXES	OTHER LOCAL TAXES	FINES AND FORFEITURES	PERMITS, PRIVILEGE		CHARGES FOR SERVICES	MISCELLANEOUS	REVENUE FROM USE OF		INTER- GOVERN- MENTAL	TOTAL
				FEES & REGULATORY LICENSES				MONEY AND PROPERTY			
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		
2011	612,985	2,103,473	17,586	2,304	296,925	214,324	50,296	1,466,638	4,764,531		
2010	593,612	2,120,307	19,207	1,289	290,139	152,901	72,512	769,721	4,019,688		
2009	545,798	2,047,941	25,528	2,344	252,195	114,685	113,235	618,075	3,719,801		
2008	533,967	1,958,075	32,215	1,548	257,055	93,129	206,913	645,909	3,728,811		
2007	513,447	1,926,114	34,213	914	251,487	65,825	232,318	616,262	3,640,580		
2006	511,017	1,942,507	30,013	1,281	236,402	125,933	124,091	693,506	3,664,750		
2005	519,245	1,893,677	38,705	2,159	230,724	48,996	80,520	1,338,306	4,152,332		
2004	562,320	1,788,585	56,625	2,500	214,799	44,177	52,566	617,952	3,339,524		

SCHEDULE 4

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

FISCAL YEAR	GENERAL ADMINI- STRATION	PARKS, RECREATION AND CULTURAL							HEALTH AND WELFARE	COMMUNITY DEVELOP- MENT	NON DEPART- MENTAL	DEBT SERVICE	TOTAL
		PUBLIC SAFETY	PUBLIC WORKS	RECREATION AND CULTURAL	\$	\$	\$	\$					
2013	\$ 518,891	\$ 1,174,226	\$ 1,289,244	\$ 152,531	\$ 5,678	\$ 135,408	\$ -	\$ 66,745	\$ 3,342,723				
2012	490,230	1,592,775	1,326,770	213,748	9,920	354,995	-	66,745	4,055,183				
2011	481,126	1,216,251	1,353,447	186,666	6,398	1,447,764	-	66,745	4,758,397				
2010	460,570	1,173,552	1,436,894	236,987	7,881	236,029	-	66,745	3,618,658				
2009	424,020	1,182,865	1,680,823	259,604	6,230	264,672	-	66,745	3,884,959				
2008	406,137	1,176,522	1,475,337	182,841	7,339	265,433	-	66,712	3,580,321				
2007	420,161	1,106,967	1,360,055	173,650	6,864	90,225	-	66,703	3,224,625				
2006	398,018	1,096,462	1,179,230	133,086	11,221	81,665	-	66,681	2,966,363				
2005	359,662	1,035,880	1,855,818	153,986	7,325	131,053	-	66,556	3,610,280				
2004	343,483	882,395	1,137,226	217,901	6,926	85,800	-	66,458	2,740,189				

**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
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
2011	196,135,891	30,363,988	4,106,290	4,603,246	235,209,415
2010	194,439,215	29,851,736	4,050,805	4,884,009	233,225,765
2009	160,596,939	32,721,952	4,319,930	3,098,502	200,737,323
2008	159,834,215	30,233,687	3,869,023	4,739,996	198,676,921
2007	156,553,081	30,622,337	3,988,457	4,595,882	195,759,757
2006	153,358,767	28,699,923	3,907,424	5,186,500	191,152,614
2005	150,448,836	27,610,251	3,697,987	5,776,893	187,533,967
2004	145,494,440	30,399,181	3,105,763	6,152,782	185,152,166

**PROPERTY TAX RATES
LAST TEN YEARS**

FISCAL YEARS	REAL ESTATE	PERSONAL PROPERTY	MOBILE HOMES	PUBLIC UTILITY
2013	0.245	0.530	0.245	0.245
2012	0.245	0.530	0.245	0.245
2011	0.245	0.530	0.245	0.245
2010	0.245	0.530	0.245	0.245
2009	0.245	0.530	0.245	Various
2008	0.245	0.530	0.245	Various
2007	0.245	0.530	0.245	Various
2006	0.245	0.530	0.245	Various
2005	0.245	0.530	0.245	Various
2004	0.260	0.530	0.260	Various

SCHEDULE 6

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

FISCAL YEAR	TOTAL (1) TAX LEVY	CURRENT TAX (1) COLLECTIONS	PERCENT OF LEVY COLLECTED	DELINQUENT (1) TAX (2) COLLECTIONS	TOTAL TAX COLLECTIONS	PERCENT OF TOTAL TAX COLLECTIONS OF TAX LEVY	OUTSTANDING (1) DELINQUENT TAXES	PERCENT OF DELINQUENT TAXES TO TAX LEVY
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%
2011	658,603	576,569	87.54%	20,140	596,709	90.60%	44,189	6.71%
2010	670,880	634,711	94.61%	8,757	643,468	95.91%	29,712	4.43%
2009	576,329	565,569	98.13%	10,760	589,694	102.32%	25,506	4.43%
2008	574,232	558,855	97.32%	13,163	578,732	100.78%	41,160	7.17%
2007	558,498	548,144	98.15%	12,556	560,700	100.39%	38,927	6.97%
2006	557,210	535,995	96.19%	6,797	554,941	99.59%	34,462	6.18%
2005	544,263	531,971	97.74%	19,437	555,432	102.05%	40,692	7.48%
2004	546,013	510,227	93.45%	2,182	534,153	97.83%	51,222	9.38%

Notes:

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

SCHEDULE 7

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

FISCAL YEAR	POPULATION (1)	ASSESSED VALUE (IN THOUSANDS)	GROSS BONDED DEBT (2)	LESS:			RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
				DEBT SERVICE MONIES AVAILABLE	DEBT PAYABLE FROM ENTERPRISE REVENUES	NET BONDED DEBT		
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
2011	3,255	235,209	204,547	-	16,273	188,274	0.0008	57.84
2010	3,255	233,226	279,232	-	32,046	247,186	0.0011	75.94
2009	3,255	200,737	351,622	-	47,335	304,287	0.0015	93.48
2008	3,255	198,676	421,789	-	62,154	359,635	0.0018	110.49
2007	3,255	195,760	489,798	-	76,517	413,281	0.0021	126.97
2006	3,255	191,153	555,718	-	90,439	465,279	0.0024	142.94
2005	3,255	185,152	761,174	-	196,642	564,532	0.0030	173.44
2004	3,255	185,152	761,174	-	196,642	564,532	0.0030	173.44

Notes:

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

SCHEDULE 8

**TOWN OF WISE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR TOWN
DEFINED PENSION BENEFIT PLAN
JUNE 30, 2013**

VALUATION DATE (1)	ACTUARIAL VALUE OF ASSETS (AVA) (2)	UNFUNDED ACTUARIAL		FUNDED RATIO (2) / (3) (5)	ANNUAL COVERED PAYROLL (6)	UAA AS % OF PAYROLL (4) / (6) (7)
		ACTUARIAL ACCURUED LIABILITY (AAL) (3)	ACCURUED LIABILITY (UAA) (3) - (2) (4)			
June 30, 2012	\$ 6,873,906	\$ 8,536,985	\$ 1,663,079	\$ 1	1,947,445	85.40%
June 30, 2011	6,886,802	7,849,668	962,866	1	1,886,959	51.03%
June 30, 2010	6,633,330	7,355,993	722,663	1	1,936,727	37.31%
June 30, 2009	6,429,770	6,224,432	(205,338)	1	1,902,844	-10.79%
June 30, 2008	6,127,047	5,766,420	(360,627)	1	1,854,239	-19.45%

TOWN OF WISE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
TOWN OF WISE PLAN
OTHER POST EMPLOYMENT BENEFITS-GASB 45
JUNE 30, 2013

A. SCHEDULE OF FUNDING PROGRESS						
VALUATION DATE	ACTUARIAL VALUE OF ASSETS (AVA)	ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY		ANNUAL COVERED PAYROLL	UAAAL AS % OF PAYROLL (4) / (6)
			(UAAAL) (3) - (2)	FUNDED RATIO (2) / (3)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
January 1, 2009	\$0	\$176,800	\$176,800	0.00%	\$1,893,800	9.34%
January 1, 2012	\$0	\$269,400	\$269,400	0.00%	\$2,036,700	13.23%

B. CALCULATION OF NET OPEB OBLIGATION (NOO)							
FISCAL YEAR ENDING	ANNUAL REQUIRED CONTRIBUTION	INTEREST ON OPEB OBLIGATION	ADJUSTMENT TO THE ARC	NET OPEB COST AT END OF FY	CONTRIBUTIONS FOR FY	CHANGE IN NET OPEB OBLIGATION	NET OPEB OBLIGATION AT END OF FY
6/30/2009	\$ 18,200	\$ -	\$ -	\$ 18,200	\$ -	\$ 18,200	\$ 18,200
6/30/2010	19,100	728	(653)	19,175	11,050	8,125	26,325
6/30/2011	19,800	1,053	(945)	19,908	15,282	4,626	30,951
6/30/2012	26,300	1,238	(1,111)	26,427	8,330	18,097	49,048
6/30/2013	27,600	1,962	(1,760)	27,802	6,180	21,622	70,670

**TOWN OF WISE, VIRGINIA
SCHEDULE OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED JUNE 30, 2013**

SCHEDULE 10

Legal Debt Limit:

Amount

10% of Assessed Value Of Taxable Real Estate
(Including Public Utility Real Estate)
(\$206,289,205 x .10)

\$ 20,628,921

Deduct:

Bonds Payable

(3,083,616)

**LEGAL MARGIN FOR CREATION OF
ADDITIONAL DEBT**

\$ 17,545,305

TOWN OF WISE, VIRGINIA
SCHEDULE OF FUND BALANCES - GASB 54
JUNE 30, 2013

SCHEDULE 11

<u>Fund Balances:</u>	<u>Amount</u>
Nonspendable:	
Cemetery Saving	\$ 384,348
Restricted for:	
Debt Service and Bond Covenants	64,788
Transportation	490,588
Unassigned:	<u>3,042,876</u>
Fund Balance June 30, 2013	<u><u>\$3,982,600</u></u>

**TOWN OF WISE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013**

SCHEDULE 12

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
<u>U.S. DEPARTMENT OF AGRICULTURE (Direct) **</u>			
Rural Development Housing Authority			
Water & Waste Disposal Systems-Loan	10.760	N/A	\$ 600,458
Water & Waste Disposal Systems-Grant	10.760	N/A	354,734
Total U.S. Department of Agriculture			<u>955,192</u>
<u>DEPARTMENT OF TRANSPORTATION</u>			
Passed through VA Department of Motor Vehicles			
Alcohol Open Container Requirements Grant	20.607	N/A	14,752
Total Department of Transportation			<u>14,752</u>
<u>U.S. DEPARTMENT OF AGRICULTURE (Direct)</u>			
Rural Housing Service			
Community Facilities Grant	10.766	N/A	25,000
Total U.S. Department of Agriculture			<u>25,000</u>
Total Federal Expenditures			<u>\$ 994,944</u>

** Major Program

TOWN OF WISE, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

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's reporting entity is defined in Note 1 of the Town's basic financial statements. All federal assistance that passes through other government agencies or not-for-profit organizations is included on the Schedule.

2. BASIS OF ACCOUNTING

The Schedule is presented in the accrual basis of accounting, 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 Office Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

3. AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

The American Recovery and Reinvestment Act of 2001 (ARRA, or Act) was signed into law on February 17, 2009. As of June 30, 2013, the Town was not a recipient of ARRA funds.

4. RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

GASB 33 provides that grant revenue should be recognized when all applicable eligibility requirements are met, and, under modified accrual accounting, when the resources are available. Therefore, the proceeds of grants which do not specify time requirements, and for which all other eligibility requirements have been met, are recognized as revenues in the current fiscal year. Expenditures, however, are recognized in the fiscal year spent for the required purpose. The following schedule reconciles revenue from the Federal government per the basic financial statements to Federal expenditures per the Schedule.

Revenue from the Federal government – financial statements	\$ 394,486
Loan Proceeds from the Federal government – financial statements	600,458
Add (subtract) Federal Awards revenue recognized:	
In prior fiscal years, spent this fiscal year	-0-
In current fiscal years, but not spent	-0-
Expenditures of Federal awards	\$ <u>994,944</u>

5. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedule agree with amounts reported in the related federal financial reports, except that certain federal financial reports are prepared on the cash basis of accounting and the Schedule is prepared on the basis of accounting described in the preceding Note.

**TOWN OF WISE, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

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

Type of Auditor's reports issued:	Unmodified
Internal Control over financial reporting:	
Material weaknesses identified?	No
Significant Deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Material weaknesses identified?	No
Significant Deficiencies identified not considered to be material weaknesses?	None Reported
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No
Identification of major program: CFDA# 10.760	
Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	No

Section II-Financial Statement Findings

There are no financial statement findings to report.

Section III-Federal Award Findings and Questioned Costs

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

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT

COMPLIANCE

LARRY D. STURGILL, P. C.

LARRY D. STURGILL

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

CERTIFIED PUBLIC ACCOUNTANT
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MEMBER
VIRGINIA & TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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, the business-type activities, and each major fund of the Town of Wise, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 12, 2013.

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

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

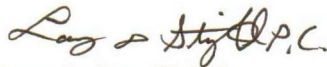
The Honorable Council Members of the
Town of Wise
Wise, Virginia 24293
Page 2

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, Virginia
December 12, 2013

LARRY D. STURGILL, P. C.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal program for the year ended June 30, 2013. The Town's major federal programs are 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each 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, 2013.

The Honorable Members of Town Council
Town of Wise
Wise, Virginia 24293
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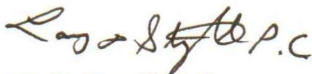
Report on Internal Control Over Compliance

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Larry D. Sturgill, P.C.
Wise, Virginia
December 12, 2013

LARRY D. STURGILL, P. C.

LARRY D. STURGILL

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INDEPENDENT AUDITORS' COMMENTS ON RESOLUTION OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

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.
December 12, 2013

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