

## **AUDIT REPORT**

**JUNE 30, 2014**

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JUNE 30, 2014**

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**INTRODUCTORY SECTION**



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## 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, Lonesome Pine Regional Business & Technology Park consists of approximately 195 acres of land and buildings. The Business and

Technology Park has been developed with all the amenities necessary to accommodate a variety of technology-based enterprises.

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 Town has also derived 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 and there is much excitement about the planned opening of the renovated and expanded historic Inn in downtown Wise in November of 2014 which will feature 49 lodging rooms, banquet/meeting space, a pub, a café, and a restaurant.

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. The central business district is a vibrant gateway to the larger community and the UVA-Wise campus, offering shopping, dining, and entertainment. In the center of downtown, 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 departmental 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 2014**

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 25, 2013, the Wise Town Council adopted a General Fund budget for FY 2014 totaling just over \$4.42 million and representing a decrease of 39.8% from the previous fiscal year. The dramatic change is due, in large part, to the success of efforts to stabilize the Water & Sewer Fund through rate increases and expenditure controls so that subsidies from the General Fund have been greatly reduced in comparison with prior years. Completion of some large capital improvements projects that are not recurring expenses, an election not to proceed with major improvements programmed in the capital improvements plan, delay of some maintenance work, and imposing of a hiring freeze for vacant positions also contributed to a smaller General Fund budget for FY 14.

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. Solid waste collection rates for both residential and commercial accounts were increased because program revenue was not sufficient to cover operating expenses and required equipment replacements. Similarly, given that expenses have exceeded revenues for the swim facility for three consecutive years, the governing body also elected to increased admission fees for the pool. In addition, increasing costs for fuel and manpower to provide leaf removal and brush and bulk waste removal dictated that the Town develop a fee schedule and begin charging for these services.

In 2011, the Town closed on bonds sold to USDA Rural Development (RD) to provide for the construction of mandated improvements at the reservoir. RD determined that the Town's water rates were not sufficient to provide adequate income to meet minimum requirements for operation, maintenance, debt service, and reserves. As a result RD required that utility rates be increased as a condition for grant and loan closing. The second and last required water rate increase (17%) for these bonds took effect July 1, 2013.

After repeated traffic signal failures at the Norton Road/Main Street/Birchfield Road intersections, on July 23, 2013, the Town initiated a project with the Virginia Department of Transportation (VDOT) to install a new signal system at said locations. The existing signalization has been in use nearly fifty years and repair and replacement parts are no longer available. In addition, much of the wiring for the controls had deteriorated over time. The new installation is projected to take place in the Fall of 2014.

In July of 2013, Town Council also reviewed and approved preliminary drawings prepared by VDOT for a project to reconstruct Norton Road from Hamilton Street to Cherry Street to provide a four-lane highway with a continuous left turn lane. VDOT was instructed to develop final designs and start the process of securing additional state and federal funding to complete right-of-way acquisition and construction. The project was initiated due to capacity and functional deficiencies as well high accident rates.

In response to the need to revitalize events that bring people (both locals and visitors) to downtown, after much discussion and public debate during FY 14, Town Council adopted a policy that would allow the sale of beer in town parks, streets, sidewalks, and public rights-of-way by nonprofit corporations and associations. Having outdoor spaces where friends



can gather and enjoy beer in a natural venue is “on trend” right now, spurred somewhat by the craft-beer movement. This comes as new events are being started and existing ones are being expanded. The goal is to create a friendlier atmosphere for event goers and to make Wise a more attractive destination to visitors, breathing new life into underutilized public spaces.

In May of 2014, Town Council awarded a contract to Quesenberry’s Inc. for construction of Phase I of the East Main Street Improvements Project in the amount of \$306,216. The project is funded in large part through a grant of MAP-21 enhancement funds by the Virginia Department of Transportation (VDOT) and the scope of improvements includes new and widened pedestrian sidewalks with decorative stone inserts, curb & gutter, ornamental street lamps and posts with underground electrical service, and concrete pedestrian islands at major crosswalks to narrow traffic lanes which slows traffic and improves pedestrian safety. The current project area extends from Spring Street to Nottingham Ave. Construction is slated to begin in July and conclude in October.

In May the Town also made its last payment on a \$825,000 general obligation bond issued in 1994 to finance construction of the Wise Municipal Building. The governing body honored a promise made to its citizens in 1994 and property tax rates were never increased during the twenty-year payback period.

The Town supports a number of charitable institutions, volunteer, and nonprofit organizations which serve residents. Most notable, during Fiscal Year 2014, just over \$122,000 was provided to support the operation of the Wise Volunteer Fire Department, \$10,000 for the Lonesome Pine Regional Library, \$4,000 for the Cumberland Airport Commission, \$8,000 for Pro-Art, \$10,000 for the Wise Rescue Squad, \$2,000 for the Library Art Gallery, and \$1,000 for Appalachian Children’s Theatre. In addition, the Town contributed \$500 to the Wise Senior Citizens group, \$500 to assist Warrior Youth Football, \$3,500 in additional funding to the Wise Rescue Squad to assist with the purchase of a fully equipped ambulance, and provided \$5,000 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.

### Awards

Town Council passed a resolution honoring Wise Law Explorer Post 312 upon its 28<sup>th</sup> year as an active law enforcement group chartered through the Sequoyah Council of the Boy Scouts of America. The group was applauded for their many contributions to the police department and the community in crime prevention, traffic and crowd control, recordkeeping, and communications.

In addition, local resident and business owner Bonnie Aker was the recipient of the "Hometown Hero Award" for 35 years of outstanding leadership and tireless dedication to the Wise County Famous Fall Fling Festival.

The Wise Town Council also honored team members and coaches of the Central High School Girls Basketball Team for winning the 2014 State Championship Title. The governing body commended these outstanding young athletes for their extraordinary achievement and Logan Reynolds for being named Female Athlete of the Year.

Central High School student Alexander Castro was also recognized by resolution for being selected to the Virginia All State Band.

### **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 88.20 % 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 14 was \$ 25,269. This is a small decrease from interest earned on temporary investments in FY 13 which totaled \$ 26,487. 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 104.87 % of General Fund expenditures for FY 13-14 and falls with the policy guidelines set by Council.

### **Risk Management**

The Town is exposed to various risks of losses. Staff use a variety of techniques to identify and monitor its risks and exposures for the activities of the Town and has an ongoing employee safety program to help prevent losses. The Town is a member of the Virginia Municipal Liability Pool and the Virginia Municipal Group Self Insurance Association. These programs provide self-insurance coverage for workers' compensation, general

liability, automobile liability, property and fire protection, public officials' liability, and law enforcement liability.

### **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 nearly 200 school walk-throughs and presentation of programs for the Head Start Program, the Wise Primary School, and the Boy Scouts of America. In addition, officers periodically eat lunch with children at the Primary School. Business bank deposit escorts are routinely provided and over 12,500 business security checks were completed providing opportunities for interaction with the department. The Department also manned traffic checkpoints during the "Border to Border" event over Labor Day weekend and participated in a drug take back program.

In carrying out its various law enforcement functions this past year, the police department handled 36,924 requests for assistance which led to issuance of 738 summons and 144 arrests. Calls included reports of theft, assault, juvenile crimes, traffic accidents, family violence incidents, property checks (13,164 requests), and disabled motorist assists.

The police department was awarded a \$25,000 grant from USDA Rural Development to reimburse the department for its acquisition of one new equipped police utility vehicle from the state agency contract at a total cost of \$33,480. The Town also approved an agreement for the receipt of funds from the Virginia Department of Criminal Justice Services. Over \$30,000 in grant monies were utilized to replace and upgrade computer systems in the Police Department.

### **Public Works**

Much of the work performed by the Public Works Department involves routine maintenance. Utility crews answered 2,428 service calls during normal business hours and responded to 38 after hour's call-outs. The Division also installed 31 new water taps, 22 new sewer taps, and replaced 32 meters. Approximately 4,104 feet of new water line and 2,814 feet of new sewer line were also constructed. This past year, 6,033 feet of sewer line was filmed and tested, 3 fire hydrants were repaired and 5 were replaced. Personnel also responded to 178 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 implement controls to keep system losses at reasonable levels. As a result of active resource management, the average monthly water loss through leakage was 12% in FY 14 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 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 13-14 included the pavement of a portion of Lake Street.

A four-person sanitation crew collected and transported over 3,100 tons of waste to Wise County's Blackwood Landfill in FY 2014. The crew also operated a residential recycling program consisting of collection of recyclables from five neighborhood drop centers. At the conclusion of FY 2014, over 51,000 pounds of recyclable material including glass, plastic, aluminum, and newsprint was diverted from the waste stream. In addition, 23 dump truck loads of yard waste were collected and chipped.

Town Council approved a supplemental appropriation of \$25,000 from contingency to fund the replacement of seven turbidimeters in use at the water treatment plant. The existing units were in varying states of dysfunction, and repair parts are not available. The new turbidimeters and supporting software will help assure maximum protection from the potential for waterborne disease.

The governing body approved an application submitted by Walk2Campus Wise LLC (W2C) to extend municipal water and sewer services for Phases I, II, and III of the Campus Walk Apartment complex. During FY 14, the Town worked closely with W2C staff to oversee installation of water and sewer utilities for Phase I which consists of 56 apartments. In addition, municipal utility crews worked throughout the summer to replace the majority of water and sewer mains in Ridgefield Acres Subdivision along with new service connections, new hydrant connections, and new valves.

### **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.

Despite a challenging financial environment, the Town posted small gains in the business community. At the beginning of the year, Wise had 218 established businesses and during FY 2014, 14 new businesses chose to locate in the Town. During FY 14, one permit was issued for the construction of a new residence, a site plan was approved for the construction of a new Family Dollar store on Park Avenue, and a conditional use permit was issued to remodel and utilize an existing dwelling located on Spring Street for professional office space.

At the end of 2013, nearly 1,500 neighborhood champions across the country tapped into the power of the Shop Small Movement for their communities by planning an event to celebrate Small Business Saturday. Mountain Rose Vineyard won a national contest sponsored by American Express which led to an airing of a professionally produced commercial for the Town and its merchants. American Express founded Small Business Saturday to help small businesses get more customers through their doors by encouraging people to shop at local businesses on the Saturday after Thanksgiving.

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 property maintenance code violations, and thirty-two requests for mowing of property were sent. In conjunction with the Governor's proclamation encouraging all Virginia citizens to participate in a "Day of Service", the Town organized a local event wherein over 200 volunteers signed up to clean up and beautify various spots throughout the town. The Town also participated in the Wise County Great American Clean Up in April.

Special events continue to be an important part of a marketing strategy to attract customers, investors, and tourists to Wise. The Big Glades Community Square is an affiliate venue on The Crooked Road, Virginia's Heritage Music Trail. The 2013-2014 event season at Big Glades Community Square kicked off on May 3<sup>rd</sup> with a concert sponsored by UVA Wise and ended with the 35<sup>th</sup> Annual Wise County Famous Fall Fling in October. During the summer, seven separate concerts featuring thirteen 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 second annual "Chillin & Grillin in the Glades" event was a big hit and included a barbecue competition, cruise-in, corn hole tournament, Miss BarbeCUTIE Contest, Kids Corner, and concert by the ZZ Top tribute band Eliminator KC. Another signature event included a concert by country artist John Berry. 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, the UVA-Wise Alumni Association, and the Wise Kiwanis Club to host a free outdoor movie series at Big Glades. 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.

In August Cavalier Pharmacy organized an event at Big Glades in celebration of the end of summer and return to school. More than 700 packages of free school supplies were distributed. In addition a number of organizations provided information about healthy living, eating well, and staying active. Costumed characters mingled with the crowd, and there was a play area with activities for the children. A number of churches, businesses, and organizations partnered 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 included a beauty pageant, storefront decorating contest, Senior Citizens picnic in the park, a photography/art exhibit, 5K run and 1K fitness walk, chilli cook-off, and writing, photo, art, and pet contests. Back by popular demand was the community-wide yard sale on Friday leading up to the main events on Saturday and Sunday. The Town provides security, traffic control, tent, stage, and food court set-up, garbage collection, and other logistical and support services.

### **Parks and Recreation**

The 2014 pool season began on May 24<sup>th</sup> and ended on August 24<sup>th</sup> with just over 8,300 people visiting the facility during that time period. With the increase in admissions prices, fees for services were sufficient to fund the costs of daily operations. However, periodic resurfacing of the pool and replacement of aging pumps will require supplemental funding.

### **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 mean 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. Significant action by the Federal government will be required now and for the foreseeable future in order to restore the nation's solvency in view of rising commitments for healthcare and debt service. Likewise, sizeable reductions in federal

spending in Virginia have led to a significant shortfall in the Commonwealth's budget and we have not seen increases in private sector activity needed to stabilize the state economy. 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 the Town's entire 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 2013-2014 Fiscal Year, Town Council approved a General Fund Operating Budget of \$4.42 million. The Town ended the year with a surplus. However, major expenditure controls were required to generate this income including a hiring freeze for open positions, reduction in employee benefits, deferred facility maintenance, and delay of equipment replacements. These drastic measures will not be sustainable over the long term and point to the need for strong financial management and greater reserve. 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,

Beverly Owens  
Town Manager

MEMBERS OF COUNCIL

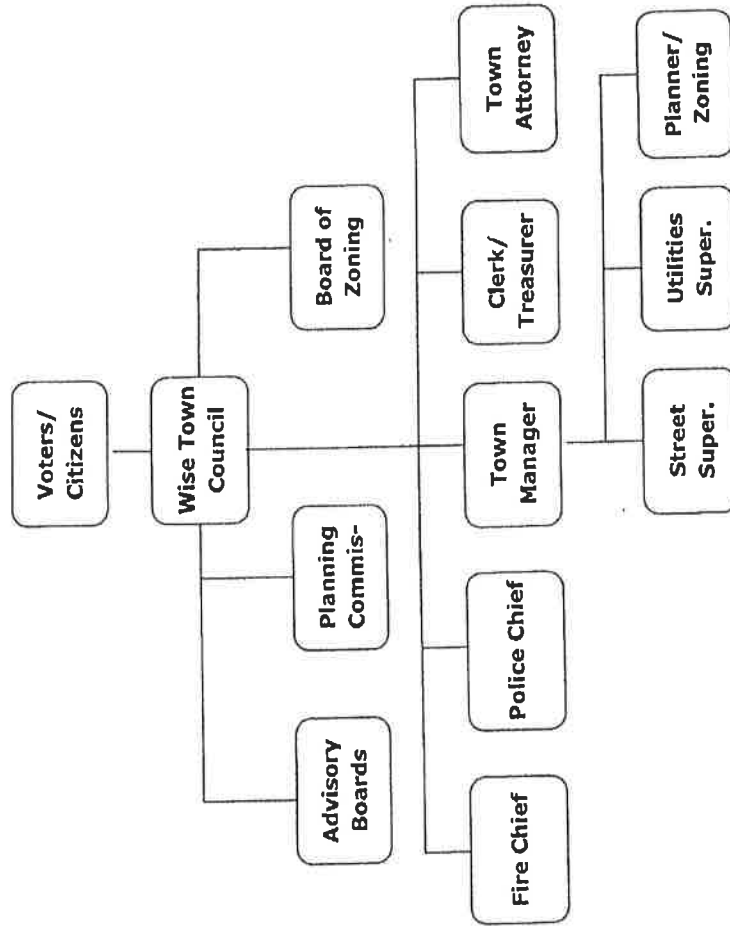
Caynor A. Smith, Jr., Mayor  
Teresa H. Adkins, Vice-Mayor  
Billy Bartlett, Jr.  
Jeff Dotson  
Cindi Smoot

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  
VIRGINIA & TENNESSEE SOCIETY OF  
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## 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, 2014, 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 auditors' judgment, including the

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Wise, Virginia, as of June 30, 2014, 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 38-43 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 49 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.

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*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 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 October 24, 2014, 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  
October 24, 2014



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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, 2014. 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 and deferred inflows at the close of the most recent fiscal year by \$22,152,880 (net position). Of this amount, \$3,808,891 (unrestricted) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$749,243, of which the governmental activities increased by \$228,641 and business-type activities increased by \$520,602.
- As of the close of the current fiscal year; the Town's general fund reported an ending fund balance of \$4,470,576, an increase of \$487,976 in comparison with the prior year. \$3,608,762 of this total amount is available for spending at the Town's discretion (unassigned fund balance).
- Unassigned fund balance for the general fund was \$3,608,762, or 104.87% percent of total general fund expenditures and 91.84% of total general fund revenues.
- The Town's total debt decreased by \$91,373 during the current fiscal year.

**Overview of the Financial Statements**

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

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

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

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

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

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

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

Because 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 for the proprietary fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with its budget.

The Town maintains one type of **Proprietary Fund:** The *Enterprise Fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its public utilities (water 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 and deferred inflows by \$22,152,880 at the close of fiscal year 2014.

The largest portion of the Town's net position ( \$16,681,719; 75 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

<b><u>ASSETS:</u></b>	<b><u>Primary Governmental Activities</u></b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>
Current and other assets	\$ 6,066,657	\$ 5,199,635
Capital assets	<u>19,700,547</u>	<u>19,862,970</u>
<b>Total assets</b>	<u>25,767,204</u>	<u>25,062,605</u>
<b><u>LIABILITIES &amp; DEFERRED INFLOWS:</u></b>		
Current liabilities	382,261	484,900
Long-term liabilities outstanding	3,184,365	3,174,068
Advance of Utility Collections	<u>47,698</u>	<u>0</u>
<b>Total liabilities &amp; deferred inflows</b>	3,614,324	3,658,968
<b><u>NET POSITION:</u></b>		
Net investment in capital assets	16,681,719	16,779,354
Restricted	1,662,270	1,740,180
Unrestricted	<u>3,808,891</u>	<u>2,884,103</u>
<b>Total net position</b>	<u>22,152,880</u>	<u>21,403,637</u>
<b>Total Liabilities, Deferred Inflows, And Net Position</b>	<u>\$25,767,204</u>	<u>\$25,062,605</u>

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

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

Governmental Activities – Primary Governmental activities increased the Town’s net position by \$749,243. Key elements of this increase are as follows:

<b>Town of Wise, Virginia’s Change in Net Position</b>		
	<b><u>Primary Governmental Activities</u></b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>
<b>REVENUES:</b>		
<b>Program revenues:</b>		
Charges for services	\$ 2,905,216	\$ 2,454,770
Operating grants and contributions	1,175,859	1,517,046
<b>General Revenues:</b>		
Property taxes	693,762	636,098
Other Local taxes	2,098,058	2,185,675
Other	<u>104,024</u>	<u>212,601</u>
<b>TOTAL REVENUES</b>	<b><u>\$ 6,976,919</u></b>	<b><u>\$ 7,006,190</u></b>
<b>EXPENSES:</b>		
General government	\$ 514,059	\$ 540,614
Public safety	1,149,929	1,222,253
Public works	1,286,576	1,337,781
Health and welfare	4,939	5,678
Parks, recreation and culture	198,568	256,865
Community development	219,201	214,827
Interest Expense	1,701	3,790
Water and Sewer	<u>2,852,703</u>	<u>2,607,308</u>
<b>TOTAL EXPENSES</b>	<b><u>\$ 6,227,676</u></b>	<b><u>\$ 6,189,116</u></b>
<b>Increase (decrease) in net position</b>	<b>\$ 749,243</b>	<b>\$ 817,074</b>
Net position – June 30, 2013	<u>21,403,637</u>	<u>20,586,563</u>
Net position – June 30, 2014	<b><u>\$ 22,152,880</u></b>	<b><u>\$21,403,637</u></b>



## 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 \$4,470,576, an increase of \$487,976 in comparison with the prior year. \$861,814 (19%) is classified as restricted to indicate that it can only be spent for specific purposes as stipulated by external resource providers (for example, through debt covenants, grant agreements, or by laws or regulations of other governments. Eighty-one percent of this total amount, \$3,608,762 constitutes *unassigned fund balance*. Unassigned fund balances are technically available for any remaining purpose, but are maintained at targeted levels in accordance with sound financial management practices.

The General Fund is the only operating fund (and only governmental fund) of the Town (Exhibit 3). The General Fund's balance increased \$487,976 (12.25%) during fiscal year 2014 to \$4,470,576, of which \$3,608,762 is unassigned. As one measure of the General Fund's liquidity, it is useful to compare the total of the Town's assigned and unassigned fund balances to total revenues. At the end of fiscal year 2014, the General Fund's assigned and unassigned fund balances of \$4,470,576 represents (113.78%) of total General Fund revenues of \$3,929,005. In addition, General Fund's unassigned fund balance totaled \$3,608,762 and continues to exceed the 10% minimum set by the Town's fund balance policy. The \$487,976 fiscal year 2014 increase in the General Fund's fund balance resulted from General Fund revenues of \$3,929,005 less expenditures of \$3,116,841 and other financing uses of \$324,188, and was primarily the result of across-the-board expenditure savings as shown on Exhibit 4 to the financial statements.

**Proprietary Funds:** The Town's proprietary funds financial statements provide the same type of information presented in the business-type activities on the government-wide financial statements, as their basis of accounting is the same, but in more detail. Factors relating to the financial position and results of operation of the Town's Public Utilities System (water 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 \$981,830 lower than anticipated, while revenues were \$493,854 lower than anticipated, resulting in a favorable difference of \$487,976 (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, 2014 amounts to \$9,264,777, 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, net of depreciation, for all funds in the current fiscal year was \$162,423.

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

	<b><u>Governmental Activities</u></b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>
Land	\$ 2,281,892	\$ 2,284,498
Buildings and Building Improvements	2,965,238	2,957,207
Infrastructure	22,537,756	21,783,201
Equipment	<u>4,150,386</u>	<u>4,043,470</u>
Total	31,935,272	31,068,376
Less: accumulated depreciation	<u>(12,234,725)</u>	<u>(11,205,406)</u>
Net capital assets	<u>\$19,700,547</u>	<u>\$ 19,862,970</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 \$2,992,243, in addition to claims, judgments, and compensated absences of \$134,587. Of this amount, \$2,992,243 comprises debt backed by the full faith and credit of the Town.

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

During the current fiscal year, the Town's total primary government debt decreased by \$91,373.

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 2014 unemployment rate for the local area was 8.9% percent, which is a decrease from a rate of 9.3% percent a year ago. This is higher than the state's average unemployment rate of 5.3 % percent by 3.6 percent and higher than the national average rate of 6.1% by 2.8 percent.

All of these factors were considered in preparing the Town's budget for the 2014 fiscal year.

**Rates**

The appropriate tax rates for the 2013-2014 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, 2014

	<u>Primary Government</u>		<b>Total Primary Governmental Activities</b>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
<b>ASSETS</b>			
Current assets:			
Cash and Cash Equivalents	\$ 3,437,769	\$ 135,303	\$ 3,573,072
Receivables, net			
Taxes	153,039	-	153,039
Accounts	47,152	288,465	335,617
Other	4,113	-	4,113
Due from Other Governmental Units	89,173	148,368	237,541
Restricted Cash	861,814	101,005	962,819
Total current assets	<u>4,593,060</u>	<u>673,141</u>	<u>5,266,201</u>
Noncurrent assets:			
Restricted cash	-	800,456	800,456
Capital assets:			
Land, non-depreciable improvements, and construction in progress	1,985,892	296,000	2,281,892
Other capital assets, net of depreciation	7,278,885	10,139,770	17,418,655
Total capital assets	<u>9,264,777</u>	<u>10,435,770</u>	<u>19,700,547</u>
Total assets	<u>13,857,837</u>	<u>11,909,367</u>	<u>25,767,204</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	66,275	116,654	182,929
Accrued liabilities and wages	31,641	18,650	50,291
Compensated Absences	7,281	2,906	10,187
Customer deposits	-	101,005	101,005
General Obligation Bonds Payable	-	37,849	37,849
Total current liabilities	<u>105,197</u>	<u>277,064</u>	<u>382,261</u>
Noncurrent liabilities:			
Noncurrent Portion of Compensated Absences	77,349	47,051	124,400
Other Post Employment Benefits	98,999	-	98,999
Accrued Interest	-	6,572	6,572
Noncurrent Portion of Long-term Obligation	-	2,954,394	2,954,394
Total noncurrent liabilities	<u>176,348</u>	<u>3,008,017</u>	<u>3,184,365</u>
Total liabilities	<u>281,545</u>	<u>3,285,081</u>	<u>3,566,626</u>
<b>DEFERRED INFLOWS</b>			
Advanced Utility Collection	-	47,698	47,698
<b>NET POSITION</b>			
Net investment in capital assets	9,264,777	7,416,942	16,681,719
Restricted-cemetery savings	391,792	-	391,792
Restricted-debt reserves	-	800,456	800,456
Restricted-transportation	470,022	-	470,022
Unrestricted	3,449,701	359,190	3,808,891
Total net position	<u>\$ 13,576,292</u>	<u>\$ 8,576,588</u>	<u>\$ 22,152,880</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF WISE, VIRGINIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

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
<b>Primary government:</b>							
<b>Governmental Activities</b>							
General government administration	\$ 514,059	\$ -	\$ -	\$ 36,233	\$ (477,826)	\$ -	\$ (477,826)
Public safety	1,149,929	-	103,479	54,294	(992,156)	-	(992,156)
Public works	1,286,576	289,381	1,917	477,788	(517,490)	-	(517,490)
Health & welfare	4,939	-	-	-	(4,939)	-	(4,939)
Parks, recreation and cultural	198,568	67,338	-	-	(131,230)	-	(131,230)
Community development	219,201	-	5,000	-	(214,201)	-	(214,201)
Interest & fiscal charges	1,701	-	-	-	(1,701)	-	(1,701)
Total governmental activities	<u>3,374,973</u>	<u>356,719</u>	<u>110,396</u>	<u>568,315</u>	<u>(2,339,543)</u>	<u>-</u>	<u>(2,339,543)</u>
<b>Business-type Activities</b>							
Water and sewer	2,852,703	2,548,497	-	497,148	-	192,942	192,942
Total business-type activities	<u>2,852,703</u>	<u>2,548,497</u>	<u>-</u>	<u>497,148</u>	<u>-</u>	<u>192,942</u>	<u>192,942</u>
Total primary government	<u>\$ 6,227,676</u>	<u>\$ 2,905,216</u>	<u>\$ 110,396</u>	<u>\$ 1,065,463</u>	<u>(2,339,543)</u>	<u>192,942</u>	<u>\$ (2,146,601)</u>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property Taxes, levied for general purposes					693,762	-	693,762
Utility Taxes					78,804	-	78,804
Mineral Taxes					75,237	-	75,237
Franchise Taxes					5,377	-	5,377
Local Sales & Use Taxes					218,919	-	218,919
Other Local Taxes					1,719,721	-	1,719,721
Investment Income					25,269	3,472	28,741
Operating transfers and adjustments					(324,188)	324,188	-
Other					75,283	-	75,283
Total general revenues and transfers					<u>2,568,184</u>	<u>327,660</u>	<u>2,895,844</u>
Change in Net Position					228,641	520,602	749,243
Net position - beginning					13,347,651	8,055,986	21,403,637
Net position - ending					<u>\$ 13,576,292</u>	<u>\$ 8,576,588</u>	<u>\$ 22,152,880</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF WISE, VIRGINIA  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2014**

	<b>General Fund</b>	<b>Total</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,437,769	\$ 3,437,769
Receivables, net:		
Taxes	153,039	153,039
Accounts	47,152	47,152
Other	4,113	4,113
Due from other governments	89,173	89,173
Restricted cash	861,814	861,814
Total assets	4,593,060	4,593,060
<b>LIABILITIES</b>		
Accounts payable	66,275	66,275
Accrued payroll and related liabilities	31,641	31,641
Total liabilities	97,916	97,916
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes receivable	24,568	24,568
Total deferred inflows of resources	24,568	24,568
<b>FUND BALANCES</b>		
Nonspendable for cemetery	391,792	391,792
Restricted for debt service	-	-
Restricted for transportation	470,022	470,022
Unassigned funds	3,608,762	3,608,762
Total fund balances	4,470,576	4,470,576
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,593,060	\$ 4,593,060

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

Total Fund Balances	\$ 4,470,576
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 \$14,853,637 and the accumulated depreciation is \$5,588,860	9,264,777
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.	24,568
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consisted of the following:	
Other Post Employment Benefit (98,999)	
Compensated absences (84,630)	(183,629)

**Net Position of Governmental Activities**

\$ 13,576,292

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, 2014**

**EXHIBIT 4**

	<b>General Fund 2014</b>	<b>General Fund 2013</b>
<b>REVENUES</b>		
General property taxes	\$ 637,575	\$ 637,442
Other local taxes	1,989,857	2,196,320
Permits, privilege fees and regulatory licenses	475	1,562
Fines and forfeitures	15,097	17,386
Revenue from the use of money and property	25,269	23,813
Charges for services	356,719	283,810
Miscellaneous	80,001	188,027
Intergovernmental	824,012	919,813
Total revenues	3,929,005	4,268,173
<b>EXPENDITURES</b>		
Current:		
General government administration	476,256	518,891
Public safety	1,118,698	1,174,226
Public works	1,193,520	1,289,244
Health & Welfare	4,939	5,678
Parks, recreation and cultural	120,040	152,531
Community development	136,643	135,408
Debt Service:		
Principal Retirement	64,788	62,706
Interest	1,957	4,039
Total expenditures	3,116,841	3,342,723
Excess (deficiency) of revenues over expenditures	812,164	925,450
<b>OTHER FINANCING SOURCES (USES)</b>		
Loan proceeds	-	-
Operating transfers	(324,188)	(186,859)
Total other financing sources (uses)	(324,188)	(186,859)
Net change in fund balance	487,976	738,591
Fund balance - beginning	3,982,600	3,244,009
Fund balance - ending	\$ 4,470,576	\$ 3,982,600

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, 2014

EXHIBIT 5

	<u>General Fund</u>
<p>Amounts Presented for Governmental Activities in the statement of activities are different because:</p>	
Net Change in Fund Balance- total governmental fund	\$ 487,976
<p>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.</p>	(286,913)
<p>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.</p>	(1,205)
<p>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.</p>	64,788
<p>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.</p>	(28,072)
<p>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.</p>	<u>(7,933)</u>
Total change in net position of governmental activities	<u>\$ 228,641</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, 2014

	<u>2014</u> <u>Enterprise Fund</u> <u>Water &amp;</u> <u>Sewer</u>	<u>Total</u>
<b>ASSETS</b>		
Current assets:		
Cash & cash equivalents	\$ 135,303	\$ 135,303
Receivables, net	288,465	288,465
Due from other Governmental Units	148,368	148,368
Restricted cash	<u>101,005</u>	<u>101,005</u>
Total current assets	<u>673,141</u>	<u>673,141</u>
Noncurrent Assets:		
Restricted cash	800,456	800,456
Capital assets, depreciable, net	10,139,770	10,139,770
Capital assets, non-depreciable	<u>296,000</u>	<u>296,000</u>
Total noncurrent assets	<u>11,236,226</u>	<u>11,236,226</u>
Total assets	<u>\$ 11,909,367</u>	<u>\$ 11,909,367</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	116,654	116,654
Accrued wages and liabilities	18,650	18,650
Customer deposits	101,005	101,005
Compensated absences-current	2,906	2,906
General obligation bonds payable-current	<u>37,849</u>	<u>37,849</u>
Total current liabilities	<u>277,064</u>	<u>277,064</u>
Noncurrent liabilities:		
Compensated Absences-noncurrent	47,051	47,051
Accrued interest	6,572	6,572
General obligation bonds payable-noncurrent	<u>2,954,394</u>	<u>2,954,394</u>
Total noncurrent liabilities	<u>3,008,017</u>	<u>3,008,017</u>
Total liabilities	<u>3,285,081</u>	<u>3,285,081</u>
<b>DEFERRED INFLOWS</b>		
Advanced utility collections	47,698	47,698
<b>NET POSITION</b>		
Net investment in capital assets	7,416,942	7,416,942
Restricted-debt reserves	800,456	800,456
Unrestricted	<u>359,190</u>	<u>359,190</u>
Total net position	<u>\$ 8,576,588</u>	<u>\$ 8,576,588</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, 2014**

	<u>2014</u>	<u>2013</u>
	<u>Enterprise Fund</u>	<u>Enterprise Fund</u>
	<u>Water &amp;</u>	<u>Water &amp;</u>
	<u>Sewer</u>	<u>Sewer</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 2,398,670	\$ 2,003,383
Connection charges	77,688	96,938
Miscellaneous	72,140	70,639
<b>Total operating revenues</b>	<u>2,548,498</u>	<u>2,170,960</u>
<b>OPERATING EXPENSES</b>		
Personnel services	928,667	865,620
Fringe benefits	436,212	489,997
Contractual services	40,348	47,615
Utilities & Telephone	70,728	69,844
Materials & Supplies	173,024	191,203
Other charges	651,113	502,699
Depreciation	446,385	440,330
<b>Total operating expenses</b>	<u>2,746,477</u>	<u>2,607,308</u>
<b>Operating income (loss)</b>	<u>(197,979)</u>	<u>(436,348)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Miscellaneous Income	-	-
Interest Income/(Expense)	(102,755)	23,516
Gain (Loss) on Sale of Assets	-	1,137
<b>Total nonoperating revenue (expenses)</b>	<u>(102,755)</u>	<u>24,653</u>
<b>Income (loss) before contributions and transfers</b>	<u>(300,734)</u>	<u>(411,695)</u>
Operating Transfer In	324,188	186,589
Contribution from Other Governmental Units	497,148	554,734
<b>Change in net position</b>	520,602	329,898
<b>Total net position, beginning</b>	<u>8,055,986</u>	<u>7,726,088</u>
<b>Total net position, ending</b>	<u>\$ 8,576,588</u>	<u>\$ 8,055,986</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, 2014

	<u>2014</u>	
	<u>Enterprise Fund</u>	
	<u>Water &amp; Sewer</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 3,055,354	
Cash payments to suppliers	(888,982)	
Cash payments to employees	(1,365,839)	
Other operating revenues	72,140	
Net cash provided (used) by operating activities		872,673
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Penalties and interest charges	-	
Increase (decrease) in customer deposits	(3,800)	
Net cash provided (used) by noncapital financing activities		(3,800)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(635,481)	
Operating transfers from other funds	324,188	
Loan proceeds	-	
Principal paid on revenue bond	(26,585)	
Interest paid on revenue bonds	(99,656)	
Contributions and Grants	497,148	
Gain from sale of capital assets	-	
Net cash provided (used) by capital and related financing activities		59,614
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends on investments	3,472	
Net cash provided (used) by investing activities		3,472
Net increase (decrease) in cash and cash equivalents		931,959
Cash balances, beginning		104,805
Cash balances, ending		\$ 1,036,764

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, 2014

	<u>2014</u> <u>Enterprise Fund</u> <u>Water &amp; Sewer</u>
Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating income (loss)	\$ (197,979)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	446,385
Change in Assets & Liabilities:	
(Increase) decrease in accounts receivable	578,996
Increase (Decrease) in accounts payable	46,231
Increase (Decrease) in accrued liabilities	(639)
Increase (Decrease) in accrued vacation	(321)
Total adjustments	<u>1,070,652</u>
Net cash provided by operating activities	<u>\$ 872,673</u>

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

**NOTES TO FINANCIAL STATEMENTS**

TOWN OF WISE, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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

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

**A. Reporting Entity**

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

**B. Basis of Presentation**

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

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

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

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

TOWN OF WISE, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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

The government reports the following major governmental funds:

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



TOWN OF WISE, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

**D. Budgets and Budgetary Accounting**

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

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

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

**TOWN OF WISE, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

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

**E. Encumbrances**

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

**F. Property, Plant and Equipment**

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

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

**G. Allowance for Uncollectible Accounts**

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$79,133 at June 30, 2014, and is composed of the following:

	<u>Amount</u>
<u>General Fund:</u>	
Property Tax Receivable	\$ 14,743
Garbage Receivable	7,848
<u>Water and Sewer Fund:</u>	
Accounts Receivable	56,542
TOTAL	\$ 79,133

**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.

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 2: CASH AND INVESTMENTS (continued)**

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

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

**NOTE 3: PROPERTY TAXES RECEIVABLE**

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

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

	<u>Amount</u>	<u>Total</u>
<u>Treasurer of Wise County:</u>		
Sales Tax	\$ 19,938	
Court Fines	2,574	
Coal Severance Committee	36,233	
Coal Road Improvement	<u>16,207</u>	
Total Treasurer of Wise County		\$ <u>74,952</u>
 <u>Commonwealth of Virginia:</u>		
Department of Fire Programs	1,000	
Department of Motor Vehicles	4,132	
Communication Tax	<u>9,089</u>	
Total Commonwealth of Virginia		<u>14,221</u>
 <u>U.S. Department of Agriculture:</u>		
Reservoir Improvements Project	<u>148,368</u>	
Total Commonwealth of Virginia		<u>148,368</u>
TOTAL DUE		<u>\$ 237,541</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

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 5: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (continued)**

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 \$72,266 as of June 30, 2014. \$24,568 of that amount includes uncollected tax billings not available for funding of current expenditures, and \$47,698 represents advance receipt of utility billings.

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

A summary of changes in general fixed assets follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Land, non-depreciable	\$ 1,988,498	\$ -	\$ 2,606	\$ 1,985,892
Buildings	2,685,390	8,031	-	2,693,421
Infrastructure	7,000,799	217,490	-	7,218,289
Equipment	2,882,929	75,290	2,184	2,956,035
<b>TOTAL</b>	<b>14,557,606</b>	<b>300,811</b>	<b>4,790</b>	<b>14,853,637</b>
Less: Accumulated Depreciation				(5,588,860)
<b>NET</b>				<b>\$ 9,264,777</b>

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

General government	\$ 3,096
Public Safety	92,844
Public Works	321,741
Parks, Recreation, & Cultural	83,082
Community Development	82,171
<b>Total depreciation expense</b>	<b>\$ 582,934</b>

**NOTE 7: PROPRIETARY FIXED ASSETS**

A summary of proprietary fund property, plant and equipment at June 30, 2014 follows:

	Water & Sewer
Land	\$ 296,000
Buildings	271,817
Improvements other than Buildings	15,319,467
Equipment	1,194,351
<b>TOTAL</b>	<b>17,081,635</b>
Less: Accumulated Depreciation	(6,645,865)
<b>NET</b>	<b>\$ 10,435,770</b>

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 8: LONG-TERM DEBT**

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

Year Ended June 30,	Bonds and Notes Payable		
	Principal	Interest	Total
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	43,872	107,616	\$ 151,488
2020-2024	245,570	511,870	\$ 757,440
2025-2029	296,065	461,375	\$ 757,440
2030-2034	357,490	399,950	\$ 757,440
2035-2039	432,295	325,145	\$ 757,440
2040-2044	523,490	233,950	\$ 757,440
2045-2049	634,777	122,663	\$ 757,440
2050-2053	298,543	12,590	\$ 311,134
<b>TOTALS</b>	<b>\$ 2,992,243</b>	<b>\$ 2,620,971</b>	<b>\$ 5,613,214</b>

**Changes in Long-Term Debt**

The following is a summary of long-term debt transactions of the Town for the Year ended June 30, 2014:

<u>Primary Government</u>	<u>Balance 7/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2014</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
General Obligation Bond-Series 1994	\$ 64,788	\$ -	\$ 64,788	\$ -	\$ -
Total Governmental Activities	64,788	-	64,788	-	-
<u>Business-Type Activities:</u>					
General Obligation Bond-Series 2011A	2,269,907	-	17,656	2,252,251	25,610
General Obligation Bond-Series 2011B	748,921	-	8,929	739,992	12,239
Total Business-Type Activities	3,018,828	-	26,585	2,992,243	37,849
Total Primary Government	\$ 3,083,616	\$ -	\$ 91,373	\$ 2,992,243	\$ 37,849

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

DETAILS OF LONG-TERM INDEBTEDNESS

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.

\$ -

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Total General Obligation Bonds  
Total Compensated Absences

-  
84,630

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Total General Long-term obligation Debt

\$ 84,630

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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.

\$ 2,252,251

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.

739,992

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Total General Obligation Bonds  
Total Compensated Absences

2,992,243  
49,957

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Total Enterprise Long-term obligation Debt

\$ 3,042,200

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TOWN OF WISE, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**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.

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-

**TOWN OF WISE, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

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.

**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 2014 was 8.60% of annual covered payroll.

**C. Annual Pension Cost**

For fiscal year 2014, the Town's annual pension cost of \$184,912 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, 2012	75,717	100%	-0-
June 30, 2013	179,791	100%	-0-
June 30, 2014	184,912	100%	-0-

The FY 2014 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, 2013



**TOWN OF WISE, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.50% to 5.35% 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 2.25-2.50% 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, 2013 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

**D. Funded Status and Funding Progress**

As of June 30, 2013, the most recent actuarial valuation date, the plan was 82.03% funded. The actuarial accrued liability for benefits was \$8,863,262 and the actuarial value of assets was \$7,270,116, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,593,146. The covered payroll (annual payroll of active employees covered by the plan) was \$2,097,242, and ratio of the UAAL to the covered payroll was 75.96%.

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.

**NOTE 10: CONTINGENT LIABILITIES**

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

**NOTE 11: SURETY BONDS**

Position Fidelity Schedule Bond:

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

TOWN OF WISE, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**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 \$84,630 in the General Long-Term Obligation Account Group and \$49,957 in the Water and Sewer Fund, with \$7,281 and \$2,906, 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, 2014 amounted to \$99,656.

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.

**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;

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority; for all funds except the general fund, assigned fund balance is the residual fund balance classification;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

**Committed Fund Balance Policy**

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

**Assigned Fund Balance Policy**

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

**Minimum Unassigned Fund Balance Policy**

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

**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.

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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 20 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 20 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.

**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.

TOWN OF WISE, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**NOTE 16: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

**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**

<u>SCHEDULES OF EMPLOYER CONTRIBUTIONS</u>			
FISCAL YEAR ENDING 6/30	ANNUAL OPEB COST	ACTUAL CONTRIBUTION	PERCENT FUNDED
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%
2014	29,379	1,050	3.57%

The FY 2014 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. 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**

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.

TOWN OF WISE, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**NOTE 17: OTHER INFORMATION (Continued)**

GASB Statement No. 67, *Financial Reporting for Pension Plans—An Amendment of GASB Statement No. 25*, replaces Statements No. 25 and No. 50 and establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and non-employer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is to be presented. Distinctions are made regarding the particular requirements depending upon the type of pension plan administered. This statement is effective for financial statements for fiscal years beginning after June 15, 2013.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27*, replaces the requirements of Statement No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions are also addressed. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement is effective for fiscal years beginning after June 15, 2014.

**Subsequent Events**

In August, 2014, the Town entered into a three-year agreement with the Commonwealth of Virginia, Department of Transportation for Revenue Sharing Projects funding as approved by the Commonwealth Transportation Board (CTB).



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**SCHEDULES OF CAPITAL ASSETS**



**TOWN OF WISE, VIRGINIA  
 SCHEDULE OF CAPITAL ASSETS BY SOURCE  
 FOR THE YEAR ENDED JUNE 30, 2014**

**EXHIBIT 9**

	<u>TOTAL</u>
<b>CAPITAL ASSETS</b>	
Land	\$ 2,281,892
Building and Building Improvements	2,965,238
Infrastructure	22,537,756
Equipment	4,150,384
Total Capital Assets	<u>\$ 31,935,270</u>
<b>INVESTMENT IN CAPITAL ASSETS BY SOURCE</b>	
	<u>TOTAL</u>
Enterprise Fund Revenues	\$ 14,089,392
Enterprise Fund Indebtedness	2,992,243
General Fund Revenues	14,853,635
General Fund Indebtedness	-
Total Investment in Capital Assets	<u>\$ 31,935,270</u>

**TOWN OF WISE, VIRGINIA  
SCHEDULE OF CAPITAL ASSETS BY FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2014**

**EXHIBIT 10**

	<u>LAND</u>	<u>BUILDING and BUILDING IMPROVEMENTS</u>	<u>INFRA- STRUCTURE</u>	<u>EQUIPMENT</u>	<u>TOTAL</u>
<b>PRIMARY GOVERNMENT</b>					
<b>Governmental:</b>					
General Government Adm	\$ 1,985,892	\$ 1,612,461	\$ -	\$ 64,120	\$ 3,662,473
Judicial Administration	-	-	-	-	-
Public Safety	-	911,457	-	1,503,288	2,414,745
Public Works	-	169,503	3,496,504	1,250,334	4,916,341
Health & Welfare	-	-	-	-	-
Education	-	-	-	-	-
Parks, Recreation & Cultural	-	-	1,859,935	86,461	1,946,396
Community Development	-	-	1,861,850	51,830	1,913,680
	<u>1,985,892</u>	<u>2,693,421</u>	<u>7,218,289</u>	<u>2,956,033</u>	<u>14,853,635</u>
<b>Business-Type:</b>					
Water and Sewer	<u>296,000</u>	<u>271,817</u>	<u>15,319,467</u>	<u>1,194,351</u>	<u>17,081,635</u>
<b>TOTAL CAPITAL ASSETS BY FUNCTION (excluding depreciation)</b>	<u><u>\$ 2,281,892</u></u>	<u><u>\$ 2,965,238</u></u>	<u><u>\$ 22,537,756</u></u>	<u><u>\$ 4,150,384</u></u>	<u><u>\$ 31,935,270</u></u>



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**SUPPLEMENTARY SCHEDULES**

TOWN OF WISE, VIRGINIA  
GOVERNMENTAL FUND  
STATEMENT OF REVENUES - BUDGET & ACTUAL  
YEAR ENDED JUNE 30, 2014

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	\$ 454,000	\$ 454,000	\$ 480,910	\$ 26,910
Real & Personal Public Service				
Corporation Property Taxes	11,500	11,500	14,717	3,217
Personal Property Taxes	107,000	107,000	128,198	21,198
Penalties & Interest	9,000	9,000	13,750	4,750
PROPERTY TAXES	<u>581,500</u>	<u>581,500</u>	<u>637,575</u>	<u>56,075</u>
Other Local Taxes:				
Local Sales & Use Taxes	105,000	105,000	110,719	5,719
Consumer Utility Taxes	39,000	39,000	78,804	39,804
Consumption Tax	7,800	7,800	15,598	7,798
Business License Taxes	385,800	385,800	401,872	16,072
Franchise License Taxes	5,000	5,000	5,377	377
Motor Vehicle Licenses	28,000	28,000	26,992	(1,008)
Bank Stock Taxes	118,000	118,000	148,516	30,516
Transient Lodging Taxes	45,000	45,000	51,631	6,631
Coal Road Improvement Taxes	120,000	120,000	75,237	(44,763)
Cigarette Tax	75,000	75,000	73,535	(1,465)
Meal Tax	985,000	985,000	1,001,576	16,576
	<u>1,913,600</u>	<u>1,913,600</u>	<u>1,989,857</u>	<u>76,257</u>
Permits, Privilege Fees & Regulatory Licenses:				
Animal License	-	-	-	-
Permits	500	500	475	(25)
REGULATORY LICENSES	<u>500</u>	<u>500</u>	<u>475</u>	<u>(25)</u>
Fines & Forfeitures	10,100	10,100	15,097	4,997
Revenue From Use of Money & Property:				
Interest and Rent Revenue	8,500	8,500	25,269	16,769
TOTAL REVENUE FROM USE OF MONEY & PROPERTY	<u>8,500</u>	<u>8,500</u>	<u>25,269</u>	<u>16,769</u>

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, 2014

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	\$ 80,500	\$ 80,500	\$ 67,338	\$ (13,162)
Charges For Sanitation & Waste Removal	300,400	300,400	289,381	(11,019)
TOTAL CHARGES FOR SERVICES	<u>380,900</u>	<u>380,900</u>	<u>356,719</u>	<u>(24,181)</u>
Miscellaneous Revenue:				
Sale of Cemetery Plots	8,000	8,000	6,474	(1,526)
Sale of Property	100	100	-	(100)
County of Wise-Payment in Lieu of Taxes	-	-	-	-
Coal Severance Committee Appropriation	34,500	34,500	36,233	1,733
Miscellaneous	18,360	18,360	37,294	18,934
TOTAL MISCELLANEOUS REVENUE	<u>60,960</u>	<u>60,960</u>	<u>80,001</u>	<u>19,041</u>
TOTAL REVENUE FROM LOCAL SOURCES	<u>2,956,060</u>	<u>2,956,060</u>	<u>3,104,993</u>	<u>148,933</u>
Revenue From The Commonwealth:				
Non-Categorical Aid:				
Mobile Home Titling Tax	15,000	15,000	14,671	(329)
Rolling Stock Tax	10	10	10	-
Car Rental Tax	1,800	1,800	1,259	(541)
Financial Assistance To Police Dept.	74,000	74,000	76,980	2,980
PPTRA Tax Relief	57,000	57,000	57,392	392
Communications Sales & Use Tax	98,000	98,000	108,200	10,200
TOTAL NON-CATEGORICAL AID	<u>245,810</u>	<u>245,810</u>	<u>258,512</u>	<u>12,702</u>
Categorical Aid:				
Other Categorical Aid:				
Street & Highway Maintenance	453,000	453,000	477,790	24,790
Litter Grant	1,500	1,500	1,917	417
Fire Programs	8,800	8,800	10,000	1,200
Virginia Commission of Arts	5,000	5,000	5,000	-
Byrnes Justice Grants	-	-	-	-
VDOT Enhancement Grant	463,000	463,000	-	(463,000)
VDFP Burn Building Grant	-	-	-	-
VDEM Disaster Assistance	-	-	-	-
DMV Highway Safety Grant	1,000	1,000	-	(1,000)
TOTAL CATEGORICAL AID	<u>932,300</u>	<u>932,300</u>	<u>494,707</u>	<u>(437,593)</u>
TOTAL REVENUE FROM THE COMMONWEALTH	<u>1,178,110</u>	<u>1,178,110</u>	<u>753,219</u>	<u>(424,891)</u>

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, 2014

SCHEDULE 1  
 Page 3

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund: (continued)				
Revenue From The Federal Government:				
Categorical Aid:				
Byrnes Justice Grants	\$ 32,294	\$ 32,294	\$ 30,203	\$ (2,091)
RD-CF Grant Police Cars	-	-	25,000	25,000
COBRA Premium Assistance Payments	-	-	-	-
Selective Enforcement Grant	13,000	13,000	15,590	2,590
Ground Transportation Systems	-	-	-	-
TOTAL CATEGORICAL AID	<u>45,294</u>	<u>45,294</u>	<u>70,793</u>	<u>25,499</u>
TOTAL REVENUE FROM THE FEDERAL GOVT.	<u>45,294</u>	<u>45,294</u>	<u>70,793</u>	<u>25,499</u>
Suppl. Approp. From Prior Year Fund Bal.	243,395	243,395	-	(243,395)
 TOTAL GENERAL FUND	 <u>\$ 4,422,859</u>	 <u>\$ 4,422,859</u>	 <u>\$ 3,929,005</u>	 <u>\$ (493,854)</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, 2014

SCHEDULE 2  
Page 1

FUND, MAJOR & MINOR EXPENDITURE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Government Administration:				
Legislative:				
Town Council	\$ 60,875	\$ 60,875	\$ 41,767	\$ 19,108
TOTAL LEGISLATIVE	<u>60,875</u>	<u>60,875</u>	<u>41,767</u>	<u>19,108</u>
General & Financial Administration:				
Employee Benefits	45,160	45,160	28,839	16,321
Manager	100,655	100,655	95,358	5,297
Professional Services	39,755	39,755	32,240	7,515
Treasurer	176,690	176,690	150,535	26,155
Risk Management	105,850	105,850	85,046	20,804
Data Processing	59,730	59,730	42,471	17,259
TOTAL GENERAL & FINANCIAL ADMINISTRATION	<u>527,840</u>	<u>527,840</u>	<u>434,489</u>	<u>93,351</u>
TOTAL GENERAL GOVERNMENT ADMINISTRATION	<u>588,715</u>	<u>588,715</u>	<u>476,256</u>	<u>112,459</u>
Public Safety:				
Law Enforcement & Traffic Control:				
Police Department	1,096,084	1,096,084	986,603	109,481
TOTAL LAW ENFORCEMENT & TRAFFIC CONTROL	<u>1,096,084</u>	<u>1,096,084</u>	<u>986,603</u>	<u>109,481</u>
Fire & Rescue Services:				
Volunteer Fire Department	130,070	130,070	122,095	7,975
Ambulance & Rescue Service	10,000	10,000	10,000	-
TOTAL FIRE & RESCUE SERVICES	<u>140,070</u>	<u>140,070</u>	<u>132,095</u>	<u>7,975</u>
Correction & Detention:				
Court Expense	1,000	1,000	-	1,000
TOTAL COURT EXPENSE	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>

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



TOWN OF WISE, VIRGINIA  
GOVERNMENTAL FUND  
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL  
YEAR ENDED JUNE 30, 2014

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	1,237,154	1,237,154	1,118,698	118,456
Public Works:				
Maintenance of Highways, Streets, Bridges, and Sidewalks:				
General Administration	39,660	39,660	36,194	3,466
Storm Drainage	10,000	10,000	9,636	364
Street Maintenance	1,363,700	1,363,700	692,200	671,500
Street Lights	61,000	61,000	55,317	5,683
Snow & Ice Removal	87,250	87,250	80,349	6,901
TOTAL MAINTENANCE OF HIGHWAYS, STREETS, BRIDGES, & SIDEWALKS	1,561,610	1,561,610	873,696	687,914
Sanitation & Waste Removal:				
General Engineering/Administration:				
Solid Waste Removal	277,950	277,950	254,549	23,401
TOTAL SANITATION & WASTE REMOVAL	277,950	277,950	254,549	23,401
Maintenance of General Buildings and Grounds:				
General Engineering/Administration:				
General Properties	97,750	97,750	65,275	32,475
TOTAL MAINTENANCE OF GENERAL BUILDINGS & GROUNDS	97,750	97,750	65,275	32,475
TOTAL PUBLIC WORKS	1,937,310	1,937,310	1,193,520	743,790
Health and Welfare:				
Welfare Social Service:				
Property Tax Relief for Elderly	10,000	10,000	4,939	5,061
TOTAL HEALTH AND WELFARE	10,000	10,000	4,939	5,061

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, 2014

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	\$ 63,890	\$ 63,890	\$ 35,037	\$ 28,853
Swimming Pool	115,550	115,550	64,003	51,547
Cemeteries	-	-	-	-
TOTAL PARKS & RECREATION	<u>179,440</u>	<u>179,440</u>	<u>99,040</u>	<u>80,400</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	1,000	1,000	1,000	-
Regional Library	10,000	10,000	10,000	-
TOTAL CULTURAL ENRICHMENT	<u>21,000</u>	<u>21,000</u>	<u>21,000</u>	<u>-</u>
TOTAL PARKS, RECREATION, & CULTURAL	<u>200,440</u>	<u>200,440</u>	<u>120,040</u>	<u>80,400</u>
Community Development:				
Planning & Community Development:				
Planning	146,910	146,910	95,774	51,136
Cumberland Airport Commission	4,000	4,000	4,000	-
WBA-Fall Fling	5,000	5,000	5,000	-
Miscellaneous	55,000	55,000	31,869	23,131
TOTAL COMMUNITY DEVELOPMENT	<u>210,910</u>	<u>210,910</u>	<u>136,643</u>	<u>74,267</u>
Debt Service:				
Principal Curtailments	65,000	65,000	64,788	212
Interest & Fiscal Charges	2,200	2,200	1,957	243
TOTAL DEBT SERVICE	<u>67,200</u>	<u>67,200</u>	<u>66,745</u>	<u>455</u>
Transfer to Water/Sewer Fund	<u>171,130</u>	<u>171,130</u>	<u>324,188</u>	<u>(153,058)</u>
TOTAL GENERAL FUND - INCLUDING TRANSFERS	<u>\$ 4,422,859</u>	<u>\$ 4,422,859</u>	<u>\$ 3,441,029</u>	<u>\$ 981,830</u>

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

SCHEDULE 3

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

FISCAL YEAR	GENERAL PROPERTY TAXES	OTHER LOCAL TAXES	FINES AND FORFEITURES	PERMITS, PRIVILEGE FEES & REGULATORY LICENSES	CHARGES FOR SERVICES	MISCELLANEOUS	REVENUE FROM			TOTAL
							USE OF MONEY AND PROPERTY	INTER-GOVERNMENTAL		
2014	\$ 637,575	\$ 1,989,857	\$ 15,097	\$ 475	\$ 356,719	\$ 80,001	\$ 25,269	\$ 824,012	\$ 3,929,005	
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	

TOWN OF WISE, VIRGINIA  
**SCHEDULE 4**  
**GENERAL GOVERNMENT EXPENDITURES BY FUNCTION**  
**LAST TEN FISCAL YEARS**

FISCAL YEAR	GENERAL ADMINISTRATION	PARKS,										TOTAL
		PUBLIC SAFETY	PUBLIC WORKS	RECREATION AND CULTURAL	HEALTH AND WELFARE	COMMUNITY DEVELOPMENT	NON DEPARTMENTAL	DEBT SERVICE				
2014	\$ 476,256	\$ 1,118,698	\$ 1,193,520	\$ 120,040	\$ 4,939	\$ 136,643	\$ -	\$ 66,745	\$ 3,116,841			
2013	518,891	1,174,226	1,289,243	156,531	5,678	131,408	-	66,745	3,342,722			
2012	490,230	1,592,775	1,326,770	213,748	9,920	354,995	-	66,745	4,055,183			
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			

**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
2014	\$ 202,083,590	\$ 31,598,169	\$ 4,830,910	\$ 6,001,305	244,513,974
2013	200,577,948	32,019,501	4,356,590	5,711,257	242,665,296
2012	199,270,789	34,311,994	1,940,981	3,977,500	239,501,264
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

**PROPERTY TAX RATES  
 LAST TEN YEARS**

FISCAL YEARS	REAL ESTATE	PERSONAL PROPERTY	MOBILE HOMES	PUBLIC UTILITY
2014	0.245	0.530	0.245	0.245
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

**TOWN OF WISE, VIRGINIA**  
**SCHEDULE 6**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**

FISCAL YEAR	TOTAL (1) TAX LEVY	CURRENT TAX (1) COLLECTIONS	PERCENT OF LEVY COLLECTED	DELINQUENT TAX (2) COLLECTIONS	TOTAL TAX COLLECTIONS	PERCENT OF		DELINQUENT TAXES TO TAX LEVY
						TOTAL TAX COLLECTIONS OF TAX LEVY	OUTSTANDING (1) DELINQUENT TAXES	
2014	\$ 681,582	\$ 601,143	88.20%	\$ 13,389	614,532	90.16%	\$ 39,594	5.81%
2013	612,258	604,307	98.70%	13,936	618,243	100.98%	43,702	7.14%
2012	664,052	600,317	90.40%	21,834	622,151	93.69%	44,850	6.75%
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%

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)	DEBT SERVICE MONIES AVAILABLE	LESS:		NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
					DEBT PAYABLE FROM ENTERPRISE REVENUES	DEBT SERVICE MONIES AVAILABLE			
2014	3,286	\$ 244,514	\$ 2,992,243	-	\$ 2,992,243	-	-	\$ -	-
2013	3,286	242,665	3,083,616	-	3,018,828	-	0.0003	19.72	19.72
2012	3,286	239,501	2,278,457	-	2,150,963	-	0.0005	38.80	38.80
2011	3,255	235,209	204,547	-	16,273	-	0.0008	57.84	57.84
2010	3,255	233,226	279,232	-	32,046	-	0.0011	75.94	75.94
2009	3,255	200,737	351,622	-	47,335	-	0.0015	93.48	93.48
2008	3,255	198,676	421,789	-	62,154	-	0.0018	110.49	110.49
2007	3,255	195,760	489,798	-	76,517	-	0.0021	126.97	126.97
2006	3,255	191,153	555,718	-	90,439	-	0.0024	142.94	142.94
2005	3,255	185,152	761,174	-	196,642	-	0.0030	173.44	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, 2014

VALUATION DATE (1)	ACTUARIAL VALUE OF ASSETS (AVA) (2)	ACTUARIAL ACCRUED LIABILITY (AAL) (3)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) (3) - (2) (4)	FUNDED RATIO (2) / (3) (5)	ANNUAL COVERED PAYROLL (6)	UAAL AS % OF PAYROLL (4) / (6) (7)
June 30, 2013	\$7,270,116	\$8,863,262	\$1,593,146	82.03%	\$2,097,242	75.96%
June 30, 2012	\$6,873,906	\$8,536,985	\$1,663,079	80.52%	\$1,947,445	85.40%
June 30, 2011	\$6,886,802	\$7,849,668	\$962,866	87.73%	\$1,886,959	51.03%
June 30, 2010	\$6,633,330	\$7,355,993	\$722,663	90.18%	\$1,936,727	37.31%
June 30, 2009	\$6,429,770	\$6,224,432	(\$205,338)	103.30%	\$1,902,844	-10.79%



SCHEDULE 9

TOWN OF WISE, VIRGINIA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 TOWN OF WISE PLAN  
 OTHER POST EMPLOYMENT BENEFITS-GASB 45  
 JUNE 30, 2014

A. SCHEDULE OF FUNDING PROGRESS

VALUATION DATE	ACTUARIAL VALUE OF ASSETS (AVA)	ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO (2)/(3)	ANNUAL COVERED PAYROLL	UAAL AS % OF PAYROLL (4)/(6)
(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
6/30/2010	\$ 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
6/30/2014	29,100	2,714	(2,435)	29,379	1,050	28,329	98,999

**TOWN OF WISE, VIRGINIA  
SCHEDULE OF LEGAL DEBT MARGIN  
FOR THE YEAR ENDED JUNE 30, 2014**

**SCHEDULE 10**

Legal Debt Limit	
10% of Assessed Value Of Taxable Real Estate (Including Public Utility Real Estate) (\$208,084,895 x .10)	\$ 20,808,490
Deduct	
Bonds Payable	<u>(2,992,243)</u>
Legal Margin For Creation Of Additional Debt	<u>\$ 17,816,247</u>

**TOWN OF WISE, VIRGINIA**  
**SCHEDULE OF FUND BALANCES - GASB 54**  
**JUNE 30, 2014**

**SCHEDULE 11**

General Fund Balances:

**Nonspendable:**

Cemetery Saving

\$ 391,792

**Restricted for:**

Transportation

470,022

**Unassigned:**

3,449,701

**General Fund Balance June 30, 2014**

\$4,311,515

TOWN OF WISE, VIRGINIA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2014

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-Grant	10.760	N/A	\$ 464,572
Total U.S. Department of Agriculture			<u>464,572</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed through VA Department of Motor Vehicles			
Alcohol Open Container Requirements Grant	20.607	N/A	15,590
Total Department of Transportation			<u>15,590</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed through VA Department of Criminal Justice Services			
Justice Assistance Act Grant Program	16.738	N/A	30,203
Total Department of Justice			<u>30,203</u>
<u>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</u>			
Passed through VA Department of Health			
Oral Disease Prevention	93.283	U58DP002857	8,969
Total Department of Health & Human Services			<u>8,969</u>
<u>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</u>			
Passed through VA Department of Health			
Preventive Health & Health Services Block Grant	93.991	B01DP009055	6,105
Total Department of Health & Human Services			<u>6,105</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>\$ 550,439</u>

\*\* Major Program

TOWN OF WISE, VIRGINIA  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2014

**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, 2014, 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	\$	550,439
Loan Proceeds from the Federal government – financial statements		-0-
Add (subtract) Federal Awards revenue recognized:		
In prior fiscal years, spent this fiscal year		-0-
In current fiscal years, but not spent		-0-
Expenditures of Federal awards	\$	<u>550,439</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 1.

**TOWN OF WISE, VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**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.

**COMPLIANCE**

## LARRY D. STURGILL, P. C.

LARRY D. STURGILL

MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

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MEMBER  
VIRGINIA & TENNESSEE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 24, 2014.

#### **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



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

### **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  
October 24, 2014

**LARRY D. STURGILL, P. C.**

LARRY D. STURGILL

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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, 2014. 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.

The Honorable Members of Town Council  
Town of Wise  
Wise, Virginia 24293  
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### **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, 2014.

### **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  
October 24, 2014

**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, 2014**

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.,  
Wise, Virginia  
October 24, 2014

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