

## AUDIT REPORT

JUNE 30, 2019

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JUNE 30, 2019**

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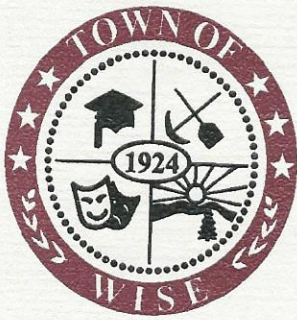
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**INTRODUCTORY SECTION**



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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, a cemetery, planning and zoning, and general administration.

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

### **LOCAL ECONOMY**

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

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

Town residents are largely employed in education services associated with UVA-Wise and the Wise County School System. The function of the Town as the county seat also brings significant

employment in governmental and professional services. The retail trade industry has a strong presence with a number of regional shopping centers as well as chain and independent restaurants providing another important source of employment. Call centers also provide work for a number of local residents. Crutchfield Corporation, the nation's leading catalog and internet retailer of audio and video components employs over one hundred highly skilled people to respond to sales, technical support, and service calls. In addition, Sykes Enterprises, Inc., a global in-bound customer technical support center provides support for hardware and software products from various companies including TurboTax and Quickbooks and employs nearly 1,000 area residents. A nearby \$72M data center provides business continuity and disaster recovery services for major corporate and governmental clients. The Town has benefited from the diversity of these sectors for contributions to total employment.

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. The refurbished and expanded historic Inn at Wise anchors a renovated downtown Wise. The Inn features 49 lodging rooms, banquet/meeting space, a pub, a café, and a restaurant. In the center of downtown, the Big Glades amphitheater attracts visitors from throughout the region to participate in special events and outdoor concerts. Downtown Wise also features structures listed in the National Register of Historic Places.

Also notable is the emergence of UVA-Wise as a primary destination for activities other than higher education. The Town has benefitted from the 3,000-seat convocation center on the campus of the University of Virginia's College at Wise which hosted over 1,000 events this year as well as the Gilliam Center for the Performing Arts. The local winery at Mountain Rose Vineyard has captured national attention for its unique adaptive reuse of a reclaimed coal mine site as well as accolades for its award-winning wines.

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

### **BUDGETARY CONTROLS**

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

## **MAJOR INITIATIVES FOR FISCAL YEAR 2019**

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 14, 2018, the Wise Town Council adopted a General Fund budget for FY 2019 totaling just over \$10.4 million and representing an increase of 11% from the previous fiscal year. The increase is due, in large part, to programming for seven different transportation improvement projects in various stages of completion and with differing funding sources. Also contributing to the increase in appropriations was provision for capital outlays for infrastructure construction and for vehicle and equipment replacements.

Wise County completed a general reassessment of property which increased the value of real property in the Town of Wise. In response, the Town elected to lower its real estate tax rate for FY 19 so as to produce the same level of taxes as the previous year.

Beginning in January of 2017, the General Assembly mandated the development and use of a Financial Assessment Model (FAM) as an "early warning system" to identify potential fiscal distress within local governments across Virginia. The FAM model evaluates a locality's performance by ratio analysis. The Town of Wise scored very well in the latest APA FAM review of ten key financial ratios.

The Town supports a number of charitable institutions, volunteer, and nonprofit organizations which serve residents. Most notable, during Fiscal Year 2019, just over \$60,000 was provided to support the operation of the Wise Volunteer Fire Department, \$9,000 for the Lonesome Pine Regional Library, \$1,900 for the Library Art Gallery, \$3,000 for the Cumberland Airport Commission, \$7,600 for Pro-Art, and \$18,000 for the Wise Rescue Squad. In addition, the Town contributed \$500 to the Wise Senior Citizens group, \$2,000 for the Wise Explorer's Post 312, \$2,500 for the Heart of Appalachia marketing effort, \$250 to The Health Wagon, \$250 to Family Crisis Support Services, and \$6,000 to assist with Wise Fall Fling festival expenses. The Town also supported the second annual Virginia High School Coaches Association All-Star Football game held at UVA-Wise in December. Eighty of the top football players from across the state were selected to participate in the game. Players, coaches, families, and friends attending the event enjoyed local food, lodging, and entertainment.

The Town continued its financial support of the Southwest Virginia Cultural Heritage Foundation with a \$500 contribution. Under this umbrella are the Crooked Road musical heritage trail, Round the Mountain artisans' network, agri-tourism trail, and outdoor recreation trails program. It is hoped that this initiative will enhance recognition of the area as a viable tourist destination.

### **Awards**

For the fifth year running, in April of 2019, the Wise Water Treatment Plant received an Excellence in Waterworks Operations Award from the Virginia Department of Health. This award recognizes the excellence of the treatment plant staff, the distribution system personnel, and the billing and collections department. Management and the governing body were also recognized for their good stewardship of the utility system. Constructed in 1964, the Wise Water Treatment Plant serves approximately 2650 water connections and approximately 7,450 people. The water system consists of over 50 miles of water line, a 1.5 million-gallon-per-day surface water treatment plant, 3 pump stations, and 8 water storage tanks.

### **Financial**

The Treasurer's office remains vigilant in the collection of delinquent taxes and fees. Tools utilized include participation in the Virginia Department of Taxation's Debt Set-Off Program, the Virginia Department of Motor Vehicle Registration Withholding Program, bank and wage liens, skip tracing, and the issuance of warrants-in-debt. As a result, this fiscal year, the Treasurer's office collected 98.09 percent of the current tax levy. This year, the department replaced several printers, a computer workstation, system server, and a copier. A kiosk for self-service payments was also installed in the lobby for customer convenience.

### **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 19 was \$162,315. This is an increase from interest earned on temporary investments in FY 18 which totaled \$73,036.

### **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 64% of the General Fund budget for FY 18-19 and falls well within the policy guidelines established by Town Council.

### **Risk Management**

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



### **Public Safety**

The Wise Police Department works to provide professional law enforcement services to the citizens of the Town of Wise. The Department is committed to community policing whereby officers spend time in personal contact with residents and business owners. The Department also provides on-demand crime prevention programs to citizens and organizations and continues to sponsor the Wise Explorer Post Program. Examples of this work include 228 school walk-throughs and presentation of programs for the Head Start Program and the Wise Primary School. In addition, officers periodically eat lunch with children at the Primary School. Business bank deposit escorts are routinely provided and over 11,384 business security checks were completed providing opportunities for interaction with the police personnel. The Department utilized 297 hours for traffic checkpoints and selective enforcement shifts which are aimed at lowering the number and severity of automobile crashes.

In carrying out its various law enforcement functions this past year, the police department handled over 20,066 requests for assistance and performed 20,598 property checks for the Town of Wise. The Department issued 466 traffic summonses and served 107 warrants which led to 81 arrests. Calls included reports of theft, vandalism, assault, juvenile crime, traffic accidents, family violence incidents, disabled motorist assists, and other crimes.

This past year, the Department's replaced a 2008 Ford sport utility vehicle and a 2010 Chevy cruiser in order to assure a reliable fleet of response vehicles. The Department also replaced twelve tasers and purchased two in-car cameras. The cameras increase officer safety, reduce department liability, and improve public trust. Having an accurate record of incidents allows for quick resolution of false complaints by citizens and helps avoid frivolous lawsuits.

### **Public Works**

Much of the work performed by the Public Works Department involves routine maintenance. Utility crews answered 2,281 service calls during normal business hours and responded to 20 call-outs after hours. The Division installed 23 new water taps, 11 new sewer taps, and replaced 49 meters. Approximately 2,809 feet of new water line and 833 feet of new sewer line was also constructed. This past year, 1,470 feet of sewer line was filmed and tested and 4 fire hydrants were repaired. Personnel also responded to 182 requests for location and marking of underground utilities.

Significant water system improvements completed with in-house staff included replacement of a eight-inch water main on Stevens St, replacement of a two-inch water main on Spring Ave NE, replacement of a six-inch water main on Norton Road and Cherry St, replacement of a six-inch water main serving Gilliam Court Apartments, and installation of new pumps in the Birchfield Pump Station.

In FY 19, a project to rehabilitate a 500,000-gallon potable water welded steel standpipe tank beside the former ARH hospital property was completed. Improvements included interior blasting, surface preparation and painting of the water tank, and ladder and safety equipment upgrades. The project was funded by the Virginia Water Supply Revolving Fund from the Virginia Department of Health. Funding consisted of a loan in the amount of \$40,000 at 2.75% for 30 years and a \$160,000 grant in the form of principal forgiveness.

Water losses and associated revenue losses occur in all water utilities. The Town's public works department regularly audits water supplies and implements controls to keep system losses at reasonable levels. As a result of active resource management, the average monthly water loss through pipeline leakage was less than 4% in FY 19 which is well below the industry standard.

Significant sewer system improvements completed with in-house staff included replacement of a two-inch sewer main at Dotson Park, replacement of a six-inch sewer main on Locust Grove Rd, replacement of a six-inch sewer main on Cross Ave, replacement of a six-inch sewer main on Orr St, and installation of new pumps in the Hamilton St Pump Station.

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 program of street cleaning for major thoroughfares while maintaining 27 miles of road, roadside, and storm water systems.

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

In FY 19, the Street Department overlaid portions of six roads in an effort to repair damage associated with the weather, wear and tear, and utility cuts. Maintenance of coal haul routes included the pavement of Darden Drive. The Town continued work on a \$15M "Smart Scale" project to add additional travel lanes on Norton Road. The project is currently under design and construction is expected to begin construction in 2021. The Town also successfully secured funding for sidewalk improvements on a portion of Norton Road and began work on Phase II of the streetscape project to continue improvements on East Main Street from Tacoma Ave to Railroad Ave. Work consists of construction of new sidewalk, curb, and gutter, pavement milling, pavement overlay, and installation of ornamental street light fixtures.

Managing solid waste is always a key concern for any municipality. In FY 19, a four-person sanitation crew collected and transported 3,175 tons of waste to Wise County's Blackwood Landfill. In addition, 40 dump truck loads of yard waste were collected and chipped.

Public works departments rely on various vehicles and equipment to perform their jobs: In order to maintain effective delivery of municipal services, during FY 19, a number of vehicles which had outlived their useful life were replaced as follows: a 2004 Ford F150 pick-up truck, a 1982 Blawknnox paver, a 2002 F350 service truck with utility bed, and a 2007 Komatsu loader.

Several municipal properties were upgraded during FY19. Pool deck chairs, tables, and chaises were replaced at the Wise Swim Facility. Inoperable doors throughout Town Hall were replaced and energy efficient LED lighting was installed in various locations in the building. SCADA equipment monitoring a water tank serving the Business and Technology Park and a water tank serving the Birchfield community was replaced and upgraded. The chlorine leak detector at the Wise Water Treatment Plant was also replaced. In addition, the central business district was enhanced with new Christmas decorations for the holiday season.

The Town accepted a grant from the Virginia Department of Health in November of 2018 for \$14,125. The funds were used to purchase new fluoridation equipment and supplies for the water treatment plant. With rising health care costs, water fluoridation is a cost-effective intervention to prevent oral health problems in a community.

### **Planning and Community Development**

The Town of Wise is a commercial center for the county and the region. Within a 20-mile radius of Wise there are 91,470 persons and within a 30-mile radius there are 234,227 persons. The Town continues to assist businesses and individuals seeking to invest in Wise providing both information and services. An important part of the Town's economic development initiative is its Enterprise Zone program. Businesses located within the boundaries of the Enterprise Zone may qualify for State and local incentives.

The Tax Cut and Jobs Act of 2017 created Opportunity Zones to incentivize investment in targeted distressed communities. Those investing in a qualified Opportunity Zone via a "Qualified Opportunity Fund" can defer payment of federal taxes on any recent capital gains, reduce owed tax payments by 15%, and pay no taxes on gains earned from investment in an Opportunity Zone. These tax advantages can be paired with other Federal tax credit programs, other state regional & local incentives, and philanthropic funding. The Town Planning Department in conjunction with the Town Manager's office prepared submittals and successfully secured a Virginia Qualified Opportunity Zone designation in FY 19.

Recognizing the growing interest in mobile food vendors in Wise, Town Council approved an ordinance allowing mobile food trucks in commercial zones under certain conditions. The ordinance addresses local regulations and permitting requirements, each intended to protect the health, safety, and general welfare of the citizens. Said ordinance was developed after thorough review of practices in other communities and was based on input from key stakeholders.

Despite a challenging economic environment, the Town posted gains in business recruiting. At the beginning of the year, Wise had 197 established businesses and during FY 2019, 14 new businesses elected to locate in the Town. In addition, one permit was issued for the construction of a new residence. Town Council also authorized execution of an easement for Appalachian Natural Gas Distribution Company to install new service to a site at Ridgeview Shopping Centre per the requirements for location of a new Marshall's Department Store in Wise. 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. Seven properties were cited for Property Maintenance Code violations and thirty-two requests for mowing of property were sent.

The Planning Department received approval of funding from the Virginia Department of Emergency Management and the Federal Emergency Management Agency for a Hazard Mitigation Assistance Project in Wise. The purpose of the program is to help communities implement measures that reduce or eliminate long-term risk to people and property from natural disasters breaking the cycle of damage, reconstruction, and repeated damage. Grant funds are being used to fund the purchase and demolition of flood-prone structures along Glade and Yellow creeks in Wise.

Special events continue to be an important part of a marketing strategy to attract investors, tourists, and new residents to Wise. The 2019 event season at Big Glades kicked off on June 22nd with a concert by *Good Shot Judy*. On June 29<sup>th</sup>, the Town hosted *Honest Outlaws, Kaitlin Baker, and Ivan Fleming* in concert. In 2019, “Chillin & Grillin in the Glades” returned for its seventh year. This weekend-long BBQ and music festival included a professional Kansas City Barbecue Society (KCBS) sanctioned contest to crown the Virginia State BBQ Champion, and a Steak Cookoff Association (SCA) sanctioned contest. Also included is a food court, beer garden, cornhole tournament, Grillmaster 5K footrace, 1-mile Challenge Walk, Kids Corner, and concerts by ten different bands. Big Glades was also home base for a popular family-friendly activity featuring four movie nights. A concert held on August 3<sup>rd</sup> featuring *Right Fork Ramblers* and *Sycamore Hollow* brought a close to the season. All movies and concerts staged at Big Glades were offered free to the public as a result of partnerships with a variety of local businesses and organizations. Big Glades also hosted a weekly Farmers Market each Thursday beginning in June and ending in September. Cooking demonstrations and art classes supplemented the hand-crafted items and produce available for purchase.

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 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 130 vendors participated and there were two separate music venues hosting twenty-five performances. This year’s event included a Senior Citizens picnic, art/writing contest & exhibit, a Fall decorating contest, 5K run and 1K Run/Walk/Roll fitness challenge, pet contest, a ghost walk, apple recipe contest, and Kid’s Corner. Back by popular demand were the community-wide yard sale, First Bank & Trust soup bean & hot dog lunch, and Wise Kiwanis Club spaghetti dinner on Friday to kick off 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 2019 pool season began on May 25th and ended on August 25th with 6,700 people visiting the facility during that time period. Despite good attendance, fees for services were not sufficient to fund the total cost of daily operation and maintenance.

Through a partnership with the Virginia Department of Game and Inland Fisheries (VDGIF), the state assumed fish stocking responsibilities at the Wise Bear Creek Reservoir effective January 1, 2017. It is estimated that fishing at the reservoir has increased 25% as a result.

### **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 over 500 faculty and staff bring significant potential buying power and tax base to the Town which local merchants can work to capture. However, college enrollment in the U.S. has decreased for eight consecutive years and UVA-Wise is also experiencing this problem. To combat declining enrollment, the College has increased recruiting efforts and is offering reduced tuition rates to any student in the Appalachian region (covering thirteen states). The College also has ambitious goals for growth in certificated and degreed programs, and in facilities. The Town continues to coordinate with the College to assure the presence of required infrastructure necessary to facilitate any 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 and much of the residual land area is located within flood prone areas of Glade and Yellow creeks. For these reasons, 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 has been over dependence on one economic sector for basic employment. All of far Southwest Virginia suffers from a sluggish economy due in large part to the decline of the coal mining industry. Unemployment rates exceed state and national averages and job loss and business closures have and will continue to challenge the Town and the region. Other challenges include a shrinking and aging population.

A Growth and Diversification Plan prepared by the GO VA Regional One Council sets forth strategic goals to build a vibrant robust local economy. Key elements include investment in workforce education, cultivation of entrepreneurs, leveraging of broadband infrastructure, university programs to attract information technology jobs, recruitment of advanced manufacturing, renewed focus on green and renewable energy sectors (pumped storage hydroelectricity, wind, solar), promotion of agriculture and aquaculture as viable sectors, and support of new and emerging industries (i.e., unmanned aerial systems, etc.). We are hopeful that a renewed and diversified economy will emerge over the long term.

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 to support these human resources are sizeable and expenses associated with retirement and healthcare benefits continue to rise at an alarming rate.

Needs for improvements to the Town's basic infrastructure persist. 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 can be significant. Taxes and fees have not kept pace with the increased cost of wages and benefits and the prices of inputs used to provide municipal services. At the same time, decreases in Federal and State aid and shifting of new costs to localities is a problem. The current revenue structure imposed on localities by the State provides few means to address these anticipated difficulties.

In the face of multiple challenges, maintaining the Town's financial stability and improving fund balance for the enterprise funds (water and sewer) will be a difficult mission. Problems include a decline in the number of active connections and a decrease in consumption. In addition, utilities have to invest in expensive technologies and infrastructure to ensure that they are compliant with regulatory standards and requirements. Arguably, this is one of the greatest short-term threats to the financial stability of the Town.

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.

The Town of Wise achieved success in several major areas in FY 19 which included generating positive business growth, increasing Fund Balance, effectively managing debt costs, and successfully controlling expenses. Moving forward, the Town hopes to leverage new workforce training programs, economic development initiatives, and growth at the College to build positive momentum. Strategic objectives are to remain a steady dependable performer for the citizens and to have reserves in place to support and take advantage of new opportunities for business investment.

MEMBERS OF COUNCIL

Jeff Dotson, Mayor

Teresa H. Adkins, Vice-Mayor

Billy Bartlett, Jr.

Caynor A. Smith, Jr.

Laura Taylor-Baugh

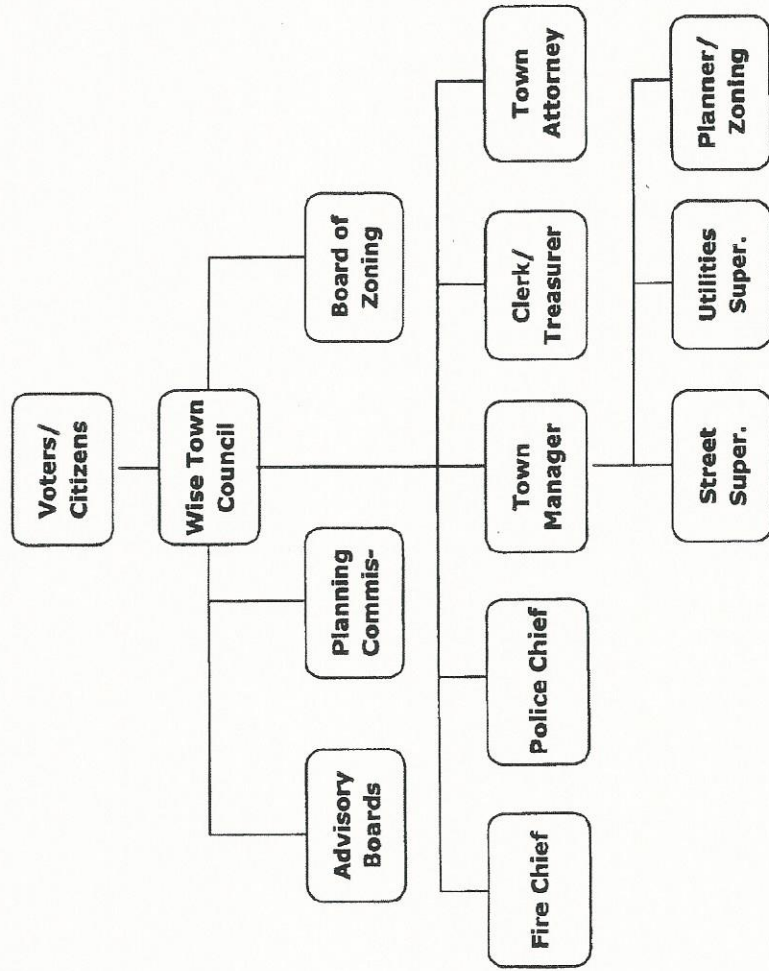
OTHER TOWN OFFICIALS

Beverly Owens, Town Manager

Robin Meade, Town Treasurer

Danny French, Chief of Police

# Town of Wise Organizational Chart





# LARRY D. STURGILL, P. C.

LARRY D. STURGILL

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AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

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MEMBER  
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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 activity and business-type activities of the Town of Wise, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

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

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

The Honorable Members of Town Council  
Town of Wise  
Wise, Virginia 24293  
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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 activity and the business-type activities of the Town of Wise, Virginia, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

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

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

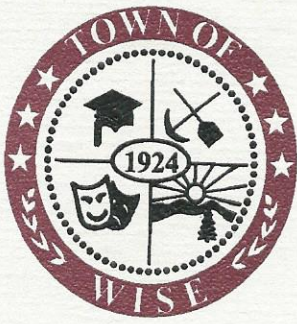
*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Wise, Virginia's basic financial statements. The introductory section and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The 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.



Larry D. Sturgill, P.C.  
Wise, Virginia  
November 15, 2019



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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, 2019. I encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal in the Introductory Section of this report, and the Town's financial statements which follow this discussion and analysis.

**Financial Highlights**

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$26,735,642 (net position). Of this amount, \$6,997,637 (unrestricted) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$1,310,159 of which the governmental activities increased by \$839,557 and business-type activities increased by \$470,602.
- As of the close of the current fiscal year, the Town's general fund reported an ending fund balance of \$7,770,966, an increase of \$846,264 in comparison with the prior year. \$6,730,588 of this total amount is available for spending at the Town's discretion (unassigned fund balance).
- Unassigned fund balance for the general fund was \$6,730,588, or 191% percent of total general fund expenditures and 149% of total general fund revenues.
- The Town's total debt decreased by \$84,602 during the current fiscal year.

**Overview of the Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

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

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

## Financial Analysis of the Town

Changes in net position may serve over time as a useful indicator of a Town's financial position. Of interest, the Town's assets and deferred outflows exceeded liabilities and deferred inflows by \$26,735,642 at the close of fiscal year 2019.

The largest portion of the Town's net position ( \$17,897,627; 66 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

#### Town of Wise, Virginia's Net Position

	<u>Primary Governmental Activities</u>	
<u>ASSETS AND DEFERRED OUTFLOWS:</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 9,549,237	\$ 8,223,016
Capital assets, net	19,603,549	19,799,390
Other Noncurrent assets	800,000	800,000
Deferred Outflows	<u>581,805</u>	<u>542,484</u>
<b>Total assets and deferred outflows</b>	<u>30,534,591</u>	<u>29,364,890</u>
<u>LIABILITIES AND DEFERRED INFLOWS:</u>		
Current liabilities	438,948	388,195
Long-term liabilities outstanding	3,007,462	2,485,588
Deferred Inflows	<u>352,539</u>	<u>883,624</u>
<b>Total liabilities and deferred inflows</b>	<u>3,798,949</u>	<u>3,757,407</u>
<u>NET POSITION:</u>		
Net investment in capital assets	17,897,627	18,008,866
Restricted	1,840,378	1,227,515
Unrestricted	<u>6,997,637</u>	<u>6,371,102</u>
<b>Total net position</b>	<u>26,735,642</u>	<u>25,607,483</u>
<b>Total Liabilities, Deferred Inflows, and Net Position</b>	<u>\$30,534,591</u>	<u>\$29,364,890</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 \$1,310,159. 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>2019</u></b>	<b><u>2018</u></b>
<b>REVENUES:</b>		
<b>Program revenues:</b>		
Charges for services	\$ 3,381,965	\$ 3,245,063
Grants and contributions	820,665	855,900
<b>General Revenues:</b>		
Property taxes	785,988	791,944
Other Local taxes	2,419,021	2,398,110
Other	227,749	166,783
<b>TOTAL REVENUES</b>	<b><u>\$ 7,635,388</u></b>	<b><u>\$ 7,457,800</u></b>
<b>EXPENSES:</b>		
General government	\$ 517,248	\$ 841,162
Public safety	1,181,447	1,107,108
Public works	1,349,222	1,375,023
Health and welfare	10,455	4,603
Parks, recreation and culture	240,228	246,979
Community development	225,927	221,040
Interest Expense	-	-
Water and Sewer	2,800,702	2,969,630
<b>TOTAL EXPENSES</b>	<b><u>\$ 6,325,229</u></b>	<b><u>\$ 6,765,545</u></b>
<b>Increase (decrease) in Net Position</b>	<b>\$ 1,310,159</b>	<b>\$ 692,255</b>
Net Position – June 30, 2018 as Restated	<u>25,425,483</u>	<u>24,915,228</u>
Net Position – June 30, 2019	<u>\$ 26,735,642</u>	<u>\$ 25,607,483</u>

## Financial Analysis of the Town's Funds

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

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

At the end of the current fiscal year, the Town's *governmental fund* reported an ending fund balance of \$7,770,966, an increase of \$846,264 in comparison with the prior year. \$1,040,378 (13%) 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-Seven percent of this total amount, \$6,730,588 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 \$846,264 during fiscal year 2019 to \$7,770,966, of which \$6,730,588 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 2019, the General Fund's assigned and unassigned fund balances of \$7,770,966 represents (173%) of total General Fund revenues of \$4,502,375. In addition, General Fund's unassigned fund balance totaled \$6,730,588 and continues to exceed the 10% minimum set by the Town's fund balance policy. The \$846,264 fiscal year 2019 increase in the General Fund's fund balance resulted from General Fund revenues of \$4,502,375 less expenditures of \$3,518,713 and a transfer of \$137,398 to the water fund, and was primarily the result of revenue increase as shown on Exhibit 4 to the financial statements.

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

### General Fund Budgetary Highlights

Differences between the budgeted and the actual amounts represent expenditures being \$6,798,969 lower than anticipated, while revenues were \$5,952,705 lower than anticipated, resulting in a favorable difference of \$846,264 (the net change in fund balance). See Schedule 1 and Schedule 2 for more details.

### Capital Asset and Debt Administration

**Capital assets:** The Town's investment in capital assets for its primary governmental activities as of June 30, 2019 amounts to \$17,897,627, net of related debt and 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 \$111,239.



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

	<b><u>Governmental Activities</u></b>	
	<b><u>2019</u></b>	<b><u>2018</u></b>
Land	\$ 2,287,892	\$ 2,287,892
Buildings and Building Improvements	3,243,753	3,205,070
Infrastructure	26,748,804	26,224,862
Equipment	<u>4,649,208</u>	<u>4,383,965</u>
Total	36,929,657	36,101,789
Less: accumulated depreciation	<u>(17,326,108)</u>	<u>(16,302,399)</u>
Net capital assets	<u>\$19,603,549</u>	<u>\$ 19,799,390</u>

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

**Long-term debt:** At the end of the current fiscal year, the Town had total primary government debt outstanding of \$1,705,922, in addition to claims, judgments, and compensated absences of \$122,427. Of this amount, \$1,705,922 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 \$84,602.

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 2019 unemployment rate for the local area was 4.9% percent, which is a decrease from a rate of 5.9% percent a year ago. This is higher than the state's average unemployment rate of 2.9% percent by 3 percent and higher than the national average rate of 3.7% by 2.2 percent.

All of these factors were considered in preparing the Town's budget for the 2019 fiscal year.

**Rates**

The appropriate tax rates for the 2018-2019 year are as follows: .2988 per \$100 value for real estate, mobile home taxes, and public utilities real estate, .63 per \$100 value for personal property, machinery and tools, and public service personal property.

### **Request for Information**

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

**BASIC FINANCIAL STATEMENTS**

**TOWN OF WISE, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**June 30, 2019**

	<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	\$ 6,595,673	\$ 1,096,222	\$ 7,691,895
Receivables, net			
Taxes	152,861	-	152,861
Accounts	52,882	348,433	401,315
Other	396	-	396
Due from Other Governmental Units	97,324	63,428	160,752
Restricted Cash	<u>1,040,378</u>	<u>101,640</u>	<u>1,142,018</u>
Total current assets	7,939,514	1,609,723	9,549,237
Noncurrent assets:			
Restricted cash	-	800,000	800,000
Capital assets:			
Land, non-depreciable improvements, and construction in progress	1,991,892	296,000	2,287,892
Other capital assets, net of depreciation	<u>7,292,938</u>	<u>10,022,719</u>	<u>17,315,657</u>
Total capital assets	9,284,830	10,318,719	19,603,549
Total assets	<u>17,224,344</u>	<u>12,728,442</u>	<u>29,952,786</u>
<b>DEFERRED OUTFLOWS</b>			
Pension Plan	270,312	270,312	540,624
OPEB	<u>28,551</u>	<u>12,630</u>	<u>41,181</u>
Total deferred outflows	298,863	282,942	581,805
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	93,724	48,609	142,333
Accrued liabilities and wages	59,595	37,070	96,665
Compensated Absences	7,392	4,851	12,243
Customer deposits	-	101,640	101,640
General Obligation Bonds Payable	<u>-</u>	<u>86,067</u>	<u>86,067</u>
Total current liabilities	160,711	278,237	438,948
Noncurrent liabilities:			
Noncurrent Portion of Compensated Absences	66,526	43,658	110,184
Other Post Employment Benefit Liability	615,210	87,000	702,210
Net Pension Liability	282,035	282,034	564,069
Accrued Interest	-	11,144	11,144
Noncurrent Portion of Long-term Obligation	<u>-</u>	<u>1,619,855</u>	<u>1,619,855</u>
Total noncurrent liabilities	963,771	2,043,691	3,007,462
Total liabilities	<u>1,124,482</u>	<u>2,321,928</u>	<u>3,446,410</u>
<b>DEFERRED INFLOWS</b>			
Pension Plan	157,986	157,984	315,970
OPEB	<u>25,069</u>	<u>11,500</u>	<u>36,569</u>
Total deferred inflows	183,055	169,484	352,539
<b>NET POSITION</b>			
Net investment in capital assets	9,284,830	8,612,797	17,897,627
Restricted-cemetery savings	431,343	-	431,343
Restricted-debt reserves	-	800,000	800,000
Restricted-asset forfeiture	9,035	-	9,035
Restricted-VRS Pension Reserve	600,000	-	600,000
Unrestricted	<u>5,890,462</u>	<u>1,107,175</u>	<u>6,997,637</u>
Total net position	<u>\$ 16,215,670</u>	<u>\$ 10,519,972</u>	<u>\$ 26,735,642</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, 2019**

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>							
Governmental Activities:							
General government administration	\$ 517,248	\$ -	\$ -	\$ 4,500	\$ (512,748)	\$ -	\$ (512,748)
Public safety	1,181,447	-	99,991	-	(1,081,456)	-	(1,081,456)
Public works	1,349,222	287,099	560,335	88,346	(413,442)	-	(413,442)
Health and welfare	10,455	-	-	-	(10,455)	-	(10,455)
Parks, recreation and cultural	240,228	45,486	-	-	(194,742)	-	(194,742)
Community development	225,927	-	-	-	(225,927)	-	(225,927)
Interest & fiscal charges	-	-	-	-	-	-	-
Total governmental activities	<u>3,524,527</u>	<u>332,585</u>	<u>660,326</u>	<u>92,846</u>	<u>(2,438,770)</u>	<u>-</u>	<u>(2,438,770)</u>
Business-type Activities:							
Water	1,514,980	1,599,216	-	60,493	-	144,729	144,729
Sewer	1,285,722	1,450,164	-	7,000	-	171,442	171,442
Total business-type activities	<u>2,800,702</u>	<u>3,049,380</u>	<u>-</u>	<u>67,493</u>	<u>-</u>	<u>316,171</u>	<u>316,171</u>
Total primary government	<u>\$ 6,325,229</u>	<u>\$ 3,381,965</u>	<u>\$ 660,326</u>	<u>\$ 160,339</u>	<u>(2,438,770)</u>	<u>316,171</u>	<u>\$ (2,122,599)</u>
General Revenues:							
Taxes:							
Property Taxes, levied for general purposes					785,988	-	785,988
Utility Taxes					89,940	-	89,940
Mineral Taxes					36,240	-	36,240
Franchise Taxes					4,604	-	4,604
Local Sales & Use Taxes					114,549	-	114,549
Other Local Taxes					2,173,688	-	2,173,688
Investment Income					146,058	16,257	162,315
Operating transfers and adjustments					(137,398)	137,398	-
Gain/(Loss) from Property Disposal					14,086	776	14,862
Other					50,572	-	50,572
Total general revenues and transfers					<u>3,278,327</u>	<u>154,431</u>	<u>3,432,758</u>
Change in Net Position					839,557	470,602	1,310,159
Net position - beginning, as restated					<u>15,376,113</u>	<u>10,049,370</u>	<u>25,425,483</u>
Net position - ending					<u>\$ 16,215,670</u>	<u>\$ 10,519,972</u>	<u>\$ 26,735,642</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF WISE, VIRGINIA  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2019**

	<b>General Fund</b>	<b>Total</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,595,673	\$ 6,595,673
Receivables, net:		
Taxes	152,861	152,861
Accounts	52,882	52,882
Other	396	396
Due from other governments	97,324	97,324
Restricted cash	1,040,378	1,040,378
Total assets	7,939,514	7,939,514
<b>LIABILITIES</b>		
Accounts payable	93,724	93,724
Accrued payroll and related liabilities	59,595	59,595
Total liabilities	153,319	153,319
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes receivable	15,229	15,229
Total deferred inflows of resources	15,229	15,229
<b>FUND BALANCES</b>		
Nonspendable for cemetery	431,343	431,343
Restricted for debt service	-	-
Restricted for asset forfeiture	9,035	9,035
Restricted for VRS Pension Reserve	600,000	600,000
Unassigned funds	6,730,588	6,730,588
Total fund balances	7,770,966	7,770,966
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,939,514	\$ 7,939,514

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

Total Fund Balances \$ 7,770,966

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 \$17,555,760 and the accumulated depreciation is \$8,270,930 9,284,830

Because the focus of governmental funds is on current resources, some inflows/outflows of resources are recognized in future periods and are not included in the governmental funds. 131,037

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 (615,210)	
Compensated absences (73,918)	
Net pension liability (282,035)	(971,163)

**Net Position of Governmental Activities** \$ 16,215,670

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, 2019**

**EXHIBIT 4**

	<u>General Fund</u> <u>2019</u>	<u>General Fund</u> <u>2018</u>
<b>REVENUES</b>		
General property taxes	\$ 786,881	\$ 797,412
Other local taxes	2,250,187	2,170,923
Permits, privilege fees and regulatory licenses	375	825
Fines and forfeitures	13,325	12,440
Revenue from the use of money and property	146,058	59,010
Charges for services	332,585	328,622
Miscellaneous	93,147	120,016
Intergovernmental	879,817	908,180
Total revenues	<u>4,502,375</u>	<u>4,397,428</u>
<b>EXPENDITURES</b>		
Current:		
General government administration	528,045	535,747
Public safety	1,214,371	1,153,313
Public works	1,454,139	1,465,480
Health and Welfare	10,455	4,603
Parks, recreation and cultural	162,216	166,617
Community development	149,487	144,315
Debt Service:		
Principal Retirement	-	-
Interest	-	-
Total expenditures	<u>3,518,713</u>	<u>3,470,075</u>
Excess (deficiency) of revenues over expenditures	<u>983,662</u>	<u>927,353</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Loan proceeds	-	-
Operating transfers	<u>(137,398)</u>	<u>(328,243)</u>
Total other financing sources (uses)	<u>(137,398)</u>	<u>(328,243)</u>
Net change in fund balance	846,264	599,110
Fund balance - beginning	<u>6,924,702</u>	<u>6,325,592</u>
Fund balance - ending	<u>\$ 7,770,966</u>	<u>\$ 6,924,702</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF WISE, VIRGINIA  
RECONCILIATION OF STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

**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	\$ 846,264
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.	(69,374)
Because some property taxes will not be collected for several months after the Town's year end, they are not considered as "available" revenues in the governmental funds. Deferred tax revenue increased by this amount this year.	(893)
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.	66,925
In the statement of activities, compensated absences are measured by the amounts earned during the year. In governmental funds however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.	<u>(3,365)</u>
Total change in net position of governmental activities	<u>\$ 839,557</u>

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



**TOWN OF WISE, VIRGINIA**  
**COMBINED STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**

June 30, 2019

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Combined Totals 2019</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 389,684	\$ 706,538	\$ 1,096,222
Receivables, net	173,782	174,651	348,433
Due from other Governmental Units	63,428	-	63,428
Restricted cash	<u>101,640</u>	<u>-</u>	<u>101,640</u>
Total current assets	<u>728,534</u>	<u>881,189</u>	<u>1,609,723</u>
Noncurrent Assets:			
Restricted cash	800,000	-	800,000
Capital assets, depreciable, net	8,968,720	1,053,999	10,022,719
Capital assets, non-depreciable	<u>209,750</u>	<u>86,250</u>	<u>296,000</u>
Total noncurrent assets	<u>9,978,470</u>	<u>1,140,249</u>	<u>11,118,719</u>
Total assets	<u>\$ 10,707,004</u>	<u>\$ 2,021,438</u>	<u>\$ 12,728,442</u>
<b>DEFERRED OUTFLOWS</b>			
Pension Plan	135,156	135,156	270,312
Other Postemployment Benefits	<u>6,315</u>	<u>6,315</u>	<u>12,630</u>
Total deferred outflows	<u>141,471</u>	<u>141,471</u>	<u>282,942</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	42,055	6,554	48,609
Accrued wages and liabilities	23,678	13,392	37,070
Customer deposits	101,640	-	101,640
Compensated absences-current	2,861	1,990	4,851
General obligation bonds payable-current	<u>86,067</u>	<u>-</u>	<u>86,067</u>
Total current liabilities	<u>256,301</u>	<u>21,936</u>	<u>278,237</u>
Noncurrent liabilities:			
Compensated Absences-noncurrent	25,751	17,907	43,658
Net Pension Liability	141,017	141,017	282,034
Net OPEB Liability	43,500	43,500	87,000
Accrued interest	11,144	-	11,144
General obligation bonds payable-noncurrent	<u>1,619,855</u>	<u>-</u>	<u>1,619,855</u>
Total noncurrent liabilities	<u>1,841,267</u>	<u>202,424</u>	<u>2,043,691</u>
Total liabilities	<u>2,097,568</u>	<u>224,360</u>	<u>2,321,928</u>
<b>DEFERRED INFLOWS</b>			
Pension Plan	78,992	78,992	157,984
Oter Postemployment Benefits	<u>5,750</u>	<u>5,750</u>	<u>11,500</u>
Total deferred inflows	<u>84,742</u>	<u>84,742</u>	<u>169,484</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,472,548	1,140,249	8,612,797
Restricted-debt reserves	800,000	-	800,000
Unrestricted	<u>393,617</u>	<u>713,558</u>	<u>1,107,175</u>
Total net position	<u>\$ 8,666,165</u>	<u>\$ 1,853,807</u>	<u>\$ 10,519,972</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF WISE, VIRGINIA**  
**COMBINED STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Combined Totals 2019</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,454,487	\$ 1,402,880	\$ 2,857,367
Connection charges	49,058	1,500	50,558
Miscellaneous	<u>95,671</u>	<u>45,784</u>	<u>141,455</u>
<b>Total operating revenues</b>	<u>1,599,216</u>	<u>1,450,164</u>	<u>3,049,380</u>
<b>OPERATING EXPENSES</b>			
Personnel services	577,489	330,548	908,037
Fringe benefits	236,611	118,663	355,274
Contractual services	25,443	26,763	52,206
Utilities and Telephone	59,537	10,328	69,865
Materials and Supplies	137,512	37,963	175,475
Other charges	62,863	636,385	699,248
Depreciation	<u>374,253</u>	<u>125,072</u>	<u>499,325</u>
<b>Total operating expenses</b>	<u>1,473,708</u>	<u>1,285,722</u>	<u>2,759,430</u>
<b>Operating income (loss)</b>	<u>125,508</u>	<u>164,442</u>	<u>289,950</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Miscellaneous Income	-	-	-
Interest Income/(Expense)	(25,015)	-	(25,015)
Gain (Loss) on Sale of Assets	<u>388</u>	<u>388</u>	<u>776</u>
<b>Total nonoperating revenue (expenses)</b>	<u>(24,627)</u>	<u>388</u>	<u>(24,239)</u>
<b>Income (loss) before contributions and transfers</b>	100,881	164,830	265,711
Operating Transfer In/(Out)	137,398	-	137,398
Contribution from Other Governmental Units	<u>60,493</u>	<u>7,000</u>	<u>67,493</u>
<b>Change in net position</b>	298,772	171,830	470,602
<b>Total net position, beginning, as restated</b>	<u>8,367,393</u>	<u>1,681,977</u>	<u>10,049,370</u>
<b>Total net position, ending</b>	<u>\$ 8,666,165</u>	<u>\$ 1,853,807</u>	<u>\$ 10,519,972</u>

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

**TOWN OF WISE, VIRGINIA  
COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Combined Total 2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 1,588,681	\$ 1,378,754	\$ 2,967,435
Cash payments to suppliers	(257,900)	(712,358)	(970,258)
Cash payments to employees	(852,422)	(489,978)	(1,342,400)
Other operating revenues	95,671	45,784	141,455
Net cash provided (used) by operating activities	574,030	222,202	796,232
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Penalties and interest charges	-	-	-
Increase (decrease) in customer deposits	(1,285)	-	(1,285)
Net cash provided (used) by noncapital financing activities	(1,285)	-	(1,285)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(272,300)	(100,558)	(372,858)
Loan proceeds	33,879	-	33,879
Principal paid on revenue bond	(118,481)	-	(118,481)
Interest paid on revenue bonds	(41,980)	-	(41,980)
Interfund transfer	137,398	-	137,398
Sale of Equipment	388	388	776
Contributions and Grants	60,493	7,000	67,493
Net cash provided (used) by capital and related financing activities	(200,603)	(93,170)	(293,773)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends on investments	16,257	-	16,257
Net cash provided (used) by investing activities	16,257	-	16,257
Net increase (decrease) in cash and cash equivalents	388,399	129,032	517,431
Cash balances, beginning	902,925	577,506	1,480,431
Cash balances, ending	\$ 1,291,324	\$ 706,538	\$ 1,997,862

Disclosure of Accounting Policy

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

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

**TOWN OF WISE, VIRGINIA**  
**COMBINED STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**EXHIBIT 8**  
**Page 2**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total 2019</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 125,508	\$ 164,442	\$ 289,950
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	374,253	125,072	499,325
OPEB changes	(45,500)	(45,500)	(91,000)
Change in Assets & Liabilities:			
(Increase) decrease in accounts receivable	85,136	(25,626)	59,510
Increase (Decrease) in accounts payable	27,455	(919)	26,536
Increase (Decrease) in accrued wages & liabilities	(61)	272	211
Increase (Decrease) in accrued vacation	4,025	1,247	5,272
Increase (Decrease) in net pension liability	101,728	101,728	203,456
Increase (Decrease) in net OPEB liability	43,500	43,500	87,000
Increase (Decrease) in pension plan deferrals	(141,449)	(141,449)	(282,898)
Increase (Decrease) in OPEB deferrals	(565)	(565)	(1,130)
Total adjustments	<u>448,522</u>	<u>57,760</u>	<u>506,282</u>
Net cash provided by operating activities	<u>\$ 574,030</u>	<u>\$ 222,202</u>	<u>\$ 796,232</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, 2019

**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, 2019**

**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 Fund and Sewer Fund.

**C. Measurement Focus and Basis of Accounting**

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

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

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

TOWN OF WISE, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**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, 2019**

**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 \$129,610 at June 30, 2019, and is composed of the following:

	<u>Amount</u>
<u>General Fund:</u>	
Property Tax Receivable	\$ 9,085
Garbage Receivable	11,729
<u>Water Fund:</u>	
Accounts Receivable	54,186
<u>Sewer Fund:</u>	
Accounts Receivable	54,610
TOTAL	\$129,610

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2: CASH AND INVESTMENTS**

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

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

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

**NOTE 3: PROPERTY TAXES RECEIVABLE**

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

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

	<u>Amount</u>	<u>Total</u>
<u>Treasurer of Wise County:</u>		
Sales Tax	\$ 20,029	
Wise County Clerk of Court	2,385	
Coal Road Improvement	9,686	
Total Treasurer of Wise County		\$ 32,100
 <u>Commonwealth of Virginia:</u>		
Department of Health	39,428	
Miscellaneous Taxes	65,224	
Total Commonwealth of Virginia		104,652
 <u>Federal Agencies:</u>		
Department of Agriculture	24,000	
Total Federal Agencies		24,000
TOTAL DUE		\$ 160,752

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 5: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town currently has deferred outflows totaling \$820,955 as of June 30, 2019 which is comprised of \$779,774 for pensions and \$41,181 for other post-employment benefits (OPEB).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has deferred inflows totaling \$606,918 as of June 30, 2019. \$15,229 of that amount includes uncollected tax billings not available for funding of current expenditures, \$555,120 represents the difference between projected and actual earnings on plan investments for pension, and \$36,569 represents amounts that will be recognized in future periods for OPEB.

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

A summary of changes in general fixed assets follows:

	BEGINNING	ADDITIONS	DELETIONS	ENDING
Land, non-depreciable	\$ 1,991,892	\$ -	\$ -	\$ 1,991,892
Buildings	2,915,812	38,683	-	2,954,495
Infrastructure	9,101,428	428,283	-	9,529,711
Equipment	3,060,246	313,828	294,412	3,079,662
<b>TOTAL</b>	<b>17,069,378</b>	<b>780,794</b>	<b>294,412</b>	<b>17,555,760</b>
Less: Accumulated Depreciation				(8,270,930)
<b>NET</b>				<b>\$ 9,284,830</b>

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

General government	\$ 7,759
Public Safety	74,024
Public Works	462,132
Parks, Recreation, & Cultural	87,904
Community Development	80,951
Total depreciation expense	<u>\$ 712,770</u>

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 7: PROPRIETARY CAPITAL ASSETS**

A summary of proprietary fund property, plant and equipment at June 30, 2019 follows:

	<b>Water</b>	<b>Sewer</b>
Land	\$ 209,750	\$ 86,250
Buildings	208,522	80,736
Improvements other than Buildings	12,444,350	4,774,743
Equipment	1,109,307	460,239
<b>TOTAL</b>	<b>13,971,929</b>	<b>5,401,968</b>
Less: Accumulated Depreciation	(4,793,459)	(4,261,719)
<b>NET</b>	<b>\$ 9,178,470</b>	<b>\$ 1,140,249</b>

**NOTE 8: LONG-TERM DEBT**

**Details of Long-Term Indebtedness:**

	<u>AMOUNT OUTSTANDING</u>
<b>GOVERNMENTAL FUND:</b>	
Total Compensated Absences	\$ 73,918
Total Governmental Long-term Obligation Debt	<u>\$ 73,918</u>
<b>ENTERPRISE FUND:</b>	
General Obligation Bonds:	
A \$1,204,200 General Obligation Refunding Bond was issued August 4, 2016 through Powell Valley National Bank at a rate of 2.25% per year. Semi-annual installments of combined principal and interest in the amount averaging \$47,500 shall be payable beginning on February 1, 2017.	\$ 1,030,300
A \$750,000 General Obligation Water Bond was issued April 26, 2011, through Rural Development Authority at a rate of 2.50% per year. Interest only shall be payable on August 9, 2012, and August 9, 2013. Monthly installments of combined principal and interest in the amount of \$2,550 shall be payable beginning on September 9, 2013.	<u>675,622</u>
Total General Obligation Bonds	1,705,922
Total Compensated Absences	<u>48,509</u>
Total Enterprise Long-term obligation Debt	<u>\$ 1,754,431</u>

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**Changes in Long-Term Debt:**

The following is a summary of long-term debt transactions of the Town for the year-end:

<b>Primary Government</b>	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Due Within One Year
<u>Governmental Activities:</u>					
N/A	\$ -	\$ -	\$ -	\$ -	\$ -
Total Governmental Activities	-	-	-	-	-
<u>Business-Type Activities:</u>					
General Obligation Refunding-Series 2016	1,100,900	-	70,600	1,030,300	72,20
General Obligation Bond-Series 2011B	689,147	-	13,525	675,622	13,86
General Obligation Bond-Series 2017	477	33,879	34,356	-	-
Total Business-Type Activities	1,790,524	33,879	118,481	1,705,922	86,06
Total Primary Government	<u>\$ 1,790,524</u>	<u>\$ 33,879</u>	<u>\$ 118,481</u>	<u>\$ 1,705,922</u>	<u>\$ 86,06</u>

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

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

Bonds and Notes Payable			
Year Ended	Principal	Interest	Total
June 30,			
2020	\$ 86,067	\$ 39,511	\$ 125,578
2021	88,117	37,527	\$ 125,644
2022	90,177	35,495	\$ 125,672
2023	92,245	33,416	\$ 125,661
2024	94,323	31,289	\$ 125,612
2025-2029	505,229	122,796	\$ 628,025
2030-2034	323,319	67,193	\$ 390,512
2035-2039	106,070	46,930	\$ 153,000
2040-2044	120,178	32,822	\$ 153,000
2045-2049	136,161	16,839	\$ 153,000
2050-2053	64,036	1,807	\$ 65,843
TOTALS	\$ 1,705,922	\$ 465,625	\$ 2,171,547

**NOTE 9: PENSION PLAN**

Pensions

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

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

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

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<b>RETIREMENT PLAN PROVISIONS</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About Plan 1</b>  Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p><b>About Plan 2</b>  Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p><b>About the Hybrid Retirement Plan</b>  The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>
<p><b>Eligible Members</b>  Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p><b>Hybrid Opt-In Election</b>  VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid</p>	<p><b>Eligible Members</b>  Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were no vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b>  Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid</p>	<p><b>Eligible Members</b>  Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Town of Wise, Virginia employees</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014;</li> </ul>

**TOWN OF WISE, VIRGINIA**  
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<p>Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>the plan's effective date for opt-in members was July 1, 2014</p> <p><b>*Non-Eligible Members</b>  Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees</li> </ul> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><b>Retirement Contributions</b>  Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b>  Same as Plan 1.</p>	<p><b>Retirement Contributions</b>  A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p><b>Creditable Service</b>  Creditable service includes active service. Members earn</p>	<p><b>Creditable Service</b>  Same as Plan 1</p>	<p><b>Creditable Service</b>  <u><b>Defined Benefit Component:</b></u>  Under the defined benefit</p>



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<p>creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>		<p>component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><b><u>Defined Contributions Component:</u></b>  Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p><b>Vesting</b>  Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b>  Same as Plan 1</p>	<p><b>Vesting</b>  <b><u>Defined Benefit Component:</u></b>  Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><b><u>Defined Contributions Component:</u></b>  Defined contribution vesting refers to the minimum length of</p>

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		<p>service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b>  The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit</b>  See definition under Plan 1</p>	<p><b>Calculating the Benefit</b>  <u><b>Defined Benefit Component:</b></u>  See definition under Plan 1</p> <p><u><b>Defined Contribution component:</b></u>  The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>

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<p><b>Average Final Compensation</b>  A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b>  A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b>  Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b>  <b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%</p> <p><b>Sheriffs and regional jail superintendents:</b>  Not Applicable</p> <p><b>Political Subdivision hazardous duty employees:</b>  The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><b>Service Retirement Multiplier</b>  <b>VRS:</b> The same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p><b>Sheriffs and regional jail superintendents:</b>  Not Applicable</p> <p><b>Political Subdivision hazardous duty employees:</b>  Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b>  <b>Defined Benefit Component:</b>  <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><b>Sheriffs and regional jail superintendents:</b>  Not Applicable</p> <p><b>Political Subdivision hazardous duty employees:</b>  Not Applicable</p>
<p><b>Normal Retirement Age</b>  <b>VRS:</b> Age 65</p> <p><b>Political subdivision hazardous duty employees:</b>  Age 60.</p>	<p><b>Normal Retirement Age</b>  <b>VRS:</b> Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b>  Same as Plan 1.</p>	<p><b>Normal Retirement Age</b>  <b>Defined Benefit Component:</b>  <b>VRS:</b> Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b>  Not applicable</p> <p><b>Defined Contribution Component:</b>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

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<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>VRS:</b> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p><b>Political Subdivisions hazardous duty employees:</b>  Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p> <p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b>  50 with at least five years of creditable service</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>VRS:</b> Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political Subdivisions hazardous duty employees:</b>  Same as Plan 1</p> <p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b>  Same as Plan 1</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>Defined Benefit Component:</b>  <b>VRS:</b> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political Subdivisions hazardous duty employees:</b>  Not Applicable</p> <p><b>Defined Contribution Component:</b>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> <p><b>Earliest Reduced Retirement Eligibility</b>  <b>Defined Benefit Component:</b>  <b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b>  Not Applicable</p> <p><b>Defined Contribution Component:</b>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><b>Eligibility:</b>  For members who retire with an</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><b>Eligibility:</b>  Same as Plan 1</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  <b>Defined Benefit Component:</b>  Same as Plan 2</p> <p><b>Defined Contribution Component:</b>  Not applicable</p> <p><b>Eligibility:</b>  Same as Plan 1 and Plan 2</p>

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**NOTES TO FINANCIAL STATEMENTS**  
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<p>unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>  The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit.</li> </ul>	<p><b><u>Exceptions to COLA Effective Dates:</u></b>  Same as Plan 1</p>	<p><b><u>Exceptions to COLA Effective Dates:</u></b>  Same as Plan 1 and Plan 2</p>
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**TOWN OF WISE, VIRGINIA**  
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<p>The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</p>		
<p><b>Disability Coverage</b>  Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p><b>Disability Coverage</b>  Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p><b>Disability Coverage</b>  Employees of political subdivisions (Including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p><b>Purchase of Prior Service</b>  Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b>  Same as Plan 1</p>	<p><b>Purchase of Prior Service</b>  <u><b>Defined Benefit Component:</b></u>  Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> </ul> <p><u><b>Defined Contribution Component:</b></u>  Not applicable</p>

**TOWN OF WISE, VIRGINIA**  
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**NOTE 9: PENSION PLAN (continued)**

Employees Covered by Benefit Terms – As of June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>Number</b>
Inactive members or their beneficiaries currently receiving benefits	27
Inactive Members:	
Vested Inactive Members	5
Non-vested Inactive Members	5
Active Elsewhere in VRS	<u>14</u>
Total Inactive Members	24
Active Members	<u>49</u>
Total Covered Employees	<u>100</u>

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

The Town’s contractually required contribution rate for the year ended June 30, 2019 was 7.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with the employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$164,322 and \$162,496 for the years ended June 30, 2019 and June 30, 2018, respectively.

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

Actuarial Assumptions – General Employees – The total pension liability for General Employees in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 %
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

\*Administrative expenses as a percent of market value of assets for the last experience study we found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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



**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9: PENSION PLAN (continued)**

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty

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

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

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

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits– The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town of Wise Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 4.75 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

\*Administrative expenses as a percent of market value of assets for the last experience study we found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Hazardous Duty

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

All Others (Non 10 Largest) – Hazardous Duty

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

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

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9: PENSION PLAN (continued)**

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
		*Expected Arithmetic Nominal Return	<u>7.30%</u>

\*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rate equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with the opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2017	\$10,345,604	\$10,819,990	\$157,156
Changes for the year:			
Service Cost	213,327		213,327
Interest	710,828		710,828
Changes in benefit terms	0		0
Changes in assumptions	0		0
Differences between expected and actual experience	496,144		496,144
Contributions – Employer		160,282	(160,282)
Contributions – Employee		106,867	(106,867)
Net Investment Income		753,383	(753,383)
Benefit payments, including refunds of employee contributions	(381,844)	(381,844)	0
Administrative Expenses		(6,474)	6,474
Other Changes	0	(672)	672
Net Changes	<u>1,038,455</u>	<u>631,542</u>	<u>406,913</u>
Balances at June 30, 2018	<u>\$11,384,059</u>	<u>\$10,819,990</u>	<u>\$564,069</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Town of Wise, Virginia using the discount rate of 7.00% as well as what the Town of Wise, Virginia’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
Town of Wise, Virginia’s Net Pension Liability	\$2,136,623	\$564,069	\$(738,509)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended June 30, 2019, the Town recognized pension expense of \$3,227. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9: PENSION PLAN (continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 376,302	\$ 217,525
Changes in assumptions	0	20,281
Net differences between projected and actual earnings on plan investments	0	78,164
Employer contributions subsequent to the measurement date	164,322	0
Total	\$ 540,624	\$ 315,970

Deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date in the amount of \$164,322 will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2020	\$ 37,957
2021	22,109
2022	(7,618)
2023	7,884
2024	0
Thereafter	0
TOTAL	\$ 60,332

Pension Plan Data—Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**NOTE 10: CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES**

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

**TOWN OF WISE, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10: CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES (continued)**

accrued vacation pay totaling \$73,918 in the General Fund, \$28,612 in the Water Fund, and \$19,897 in the Sewer Fund, with \$7,392; \$2,861; and \$1,990 respectively, expected to be paid within one year.

**NOTE 11: LITIGATION**

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

**NOTE 12: SURETY BONDS**

Position Fidelity Schedule Bond:

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

**NOTE 13: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Interest Paid-Proprietary Fund – Cash paid interest expense relating to debt for the year ended June 30, 2019 amounted to \$41,980.

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

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

**Purpose**

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

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**Components of Fund Balance**

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

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

**Committed Fund Balance Policy**

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

**Assigned Fund Balance Policy**

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

**Minimum Unassigned Fund Balance Policy**

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



**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**Resource Flow Policy**

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

**NOTE 15: OTHER POST-EMPLOYMENT BENEFITS**

**PLAN DESCRIPTION**

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

**Health Plan Eligibility**

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

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

**A. Health Plan Benefits**

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

**B. Retiree and Employer Contributions**

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

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 15: OTHER POST-EMPLOYMENT BENEFITS (continued)**

**C. Disability Retirement Benefit**

The Plan does not include any disability retirement benefits.

**D. Death Benefit**

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

**E. Withdrawal Benefit**

The Plan does not include a withdrawal benefit.

**F. Benefit Service**

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

**Summary of Participant Data**— As of the January 1, 2018 valuation date, the number of active participants was 50. The number of inactive retirees and dependent spouses was 2.

**Actuarial Assumptions and Methods**— The retirement, withdrawal, mortality, and disability assumptions used are consistent with those used in the January 1, 2018 valuation of the Virginia Retirement System. In addition, the following assumptions specific to other post-employment benefits were used:

Discount Rate: A 3.50% discount rate was used as of June 30, 2019 for purposes of measuring the plan's June 30, 2019 Total OPEB Liability.

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

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

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

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 15: OTHER POST-EMPLOYMENT BENEFITS (continued)**

<b>Changes in Total OPEB Liability</b>	<b>Increase/(Decrease)</b>
Balance as of June 30, 2018	\$ 489,526
Changes during Year:	
Service Cost	15,088
Interest on Total OPEB Liability	19,247
Effect of Plan Changes	-
Effect of Economic/Demographic Gains or Losses	-
Effect of Assumptions Changes or Inputs	18,925
Benefit Payments	<u>(14,576)</u>
Balance as of June 30, 2019	<u>\$ 528,210</u>

**Sensitivity Analysis**

The following presents the Town's Total OPEB Liability, calculated using the discount rate of 3.50%. It also presents what the Town's Total OPEB Liability would be if it were calculated using a discount rate one percentage point lower (2.50%) and one percentage point higher (4.50%) than the current rate.

	1% Decrease (2.50%)	Current Rate (3.50%)	1% Increase (4.50%)
Town of Wise, Virginia's Total OPEB Liability	\$582,962	\$528,210	\$478,703

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

	1% Decrease in Trend Rate	Current Trend Rate	1% Increase In Trend Rate
Town of Wise, Virginia's Total OPEB Liability	\$459,383	\$528,210	\$610,909

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 15: OTHER POST-EMPLOYMENT BENEFITS (continued)**

As of June 30, 2019, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	15,921	(13,569)
	\$ 15,921	\$ (13,569)
Total		

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

<u>Year Ended June 30:</u>	
2020	\$ 444
2021	444
2022	444
2023	444
2024	444
Thereafter	132
TOTAL	\$ 2,352

**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM**

***Group Life Insurance***

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

**TOWN OF WISE, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)**

***Plan Description***

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

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

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

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

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

- |   |
|---|
| <ul style="list-style-type: none"><li>○ Repatriation benefit</li><li>○ Felonious assault benefit</li><li>○ Accelerated death benefit option</li></ul> |
|---|

<b>Reduction in benefit Amounts</b>
-------------------------------------

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
--

<b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b>
--

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.
--

***Contributions***

The contribution requirements for the Group Life Insurance Program are governed by Section 51.1-506 and Section 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$5,854 and \$5,000 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the Town reported a liability of \$174,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer

**TOWN OF WISE, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)**

contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.001144% as compared to 0.00528% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$1,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and Actual experience	\$ 8,000	\$ 3,000
Net difference between projected and Actual earnings on GLI OPEB Program investments	-	6,000
Changes in assumptions	-	7,000
Changes in proportion	6,000	7,000
Employer contributions subsequent to the Measurement date	11,260	-
<b>Total</b>	<b>\$ 25,260</b>	<b>\$ 23,000</b>

\$11,260 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

FY 2020	\$ (3,000)
FY 2021	(3,000)
FY 2022	(3,000)
FY 2023	(1,000)
FY 2024	(1,000)
Thereafter	2,000
<b>TOTAL</b>	<b>\$ 13,000</b>

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)**

*Actuarial Assumptions*

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5 percent
Salary increases, including inflation—	
General state employees	3.5 percent - 5.35 percent
Teachers	3.5 percent – 5.95 percent
SPORS employees	3.5 percent – 4.75 percent
VaLORS employees	3.5 percent – 4.75 percent
JRS employees	4.5 percent
Locality – General employees	3.5 percent – 5.35 percent
Locality – Hazardous Duty employees	3.5 percent – 4.75 percent
Investment rate of return	7.0 Percent, net of investment expenses, Including inflation*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.

*Mortality rates – General State Employees*

Pre-Retirement:

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

Post-Retirement:

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



**TOWN OF WISE, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)**

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

*Mortality rates – Teachers*

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)**

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

***Mortality rates-- SPORS Employees***

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)**

*Mortality rates – VaLORS Employees*

Pre-retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

*Mortality rates- JRS Employees*

Pre-Retirement:

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

Post-Retirement:

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

**TOWN OF WISE, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)**

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)**

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

**TOWN OF WISE, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)**

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)**

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

***Net OPEB Liability***

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance <u>OPEB Program</u>
Total GLI OPEB Liability	\$ 3,113,508
Plan Fiduciary Net Position	<u>1,594,773</u>
Employers’ Net GLI OPEB Liability (Asset)	<u>\$ 1,518,735</u>
Plan Fiduciary Net Position as a Percentage Of the Total GLI OPEB Liability	51.22%

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

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)**

*Long-Term Expected Rate of Return*

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		4.80%
	Inflation		<u>2.50%</u>
		*Expected Arithmetic Nominal Return	<u><u>7.30%</u></u>

The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.



TOWN OF WISE, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

*Discount Rate*

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 7.00% as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
Town of Wise Share of the Group Life Insurance Program Net OPEB Liability	\$228,000	\$ 174,000	\$ 131,000

*Group Life Insurance Program Fiduciary Net Position*

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**TOWN OF WISE, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 17: OTHER INFORMATION**

Prior Period Adjustment

The beginning balance of Net Position for the Town of Wise was adjusted due to the requirements of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Net Position for Governmental activities decreased by \$91,000, the Net Position for the Water Fund decreased by \$45,500, and the Net Position for the Sewer Fund decreased by \$45,500, for a total decrease in net position of \$182,000 as shown below:

Net Position as of June 30, 2018	\$ 25,607,483
Adjustment per GASB St. No. 75	<u>(182,000)</u>
Net Position as of July 1, 2019, as restated	<u>\$ 25,425,483</u>

**SCHEDULES OF CAPITAL ASSETS**

**TOWN OF WISE, VIRGINIA  
 SCHEDULE OF CAPITAL ASSETS BY SOURCE  
 FOR THE YEAR ENDED JUNE 30, 2019**

**EXHIBIT 9**

	<b>TOTAL</b>
<b>CAPITAL ASSETS</b>	
Land	\$ 2,287,892
Building and Building Improvements	3,243,753
Infrastructure	26,748,804
Equipment	4,649,207
Total Capital Assets	\$ 36,929,656
 <b>INVESTMENT IN CAPITAL ASSETS BY SOURCE</b>	
Enterprise Fund Revenues	\$ 17,667,974
Enterprise Fund Indebtedness	1,705,922
General Fund Revenues	17,555,760
General Fund Indebtedness	-
Total Investment in Capital Assets	\$ 36,929,656

**TOWN OF WISE, VIRGINIA**  
**SCHEDULE OF CAPITAL ASSETS BY FUNCTION**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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	\$ 1,991,892	\$ 1,805,844	\$ -	\$ 79,718	\$ 3,877,454
Judicial Administration	-	-	-	-	-
Public Safety	-	941,239	-	1,559,411	2,500,650
Public Works	-	200,335	5,638,805	1,313,411	7,152,551
Health & Welfare	-	-	-	-	-
Education	-	-	-	-	-
Parks, Recreation & Cultural	-	7,077	2,029,056	95,510	2,131,643
Community Development	-	-	1,861,850	31,611	1,893,461
Total Governmental	<u>1,991,892</u>	<u>2,954,495</u>	<u>9,529,711</u>	<u>3,079,661</u>	<u>17,555,759</u>
<b>Business-Type:</b>					
Water	209,750	208,522	12,444,350	1,109,307	13,971,929
Sewer	86,250	80,736	4,774,743	460,239	5,401,968
Total Business-Type	<u>296,000</u>	<u>289,258</u>	<u>17,219,093</u>	<u>1,569,546</u>	<u>19,373,897</u>
<b>TOTAL CAPITAL ASSETS</b>	<u>\$ 2,287,892</u>	<u>\$ 3,243,753</u>	<u>\$ 26,748,804</u>	<u>\$ 4,649,207</u>	<u>\$ 36,929,656</u>
<b>BY FUNCTION</b>					
<b>(excluding depreciation)</b>					



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**SUPPLEMENTARY SCHEDULES**

**TOWN OF WISE, VIRGINIA  
GOVERNMENTAL FUND  
STATEMENT OF REVENUES - BUDGET & ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019**

**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	\$ 566,500	\$ 566,500	\$ 605,354	\$ 38,854
Real and Personal Public Service Corporation Property Taxes	15,000	15,000	17,825	2,825
Personal Property Taxes	125,240	125,240	143,362	18,122
Penalties and Interest	12,000	12,000	20,340	8,340
<b>PROPERTY TAXES</b>	<b>718,740</b>	<b>718,740</b>	<b>786,881</b>	<b>68,141</b>
Other Local Taxes:				
Local Sales and Use Taxes	100,000	100,000	114,549	14,549
Consumer Utility Taxes	72,000	72,000	89,940	17,940
Consumption Tax	11,000	11,000	15,762	4,762
Business License Taxes	356,290	356,290	407,875	51,585
Franchise License Taxes	4,500	4,500	4,604	104
Motor Vehicle Licenses	-	-	-	-
Bank Stock Taxes	150,000	150,000	188,546	38,546
Transient Lodging Taxes	80,000	80,000	105,724	25,724
Coal Road Improvement Taxes	15,000	15,000	36,240	21,240
Cigarette Tax	30,000	30,000	47,940	17,940
Meal Tax	998,000	998,000	1,239,007	241,007
	<u>1,816,790</u>	<u>1,816,790</u>	<u>2,250,187</u>	<u>433,397</u>
Permits, Privilege Fees and Regulatory Licenses:				
Animal License	-	-	-	-
Permits	200	200	375	175
<b>REGULATORY LICENSES</b>	<b>200</b>	<b>200</b>	<b>375</b>	<b>175</b>
Fines & Forfeitures	11,000	11,000	13,325	2,325
Revenue From Use of Money and Property:				
Interest and Rent Revenue	22,000	22,000	146,058	124,058
<b>TOTAL REVENUE FROM USE OF MONEY &amp; PROPERTY</b>	<b>22,000</b>	<b>22,000</b>	<b>146,058</b>	<b>124,058</b>

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



**TOWN OF WISE, VIRGINIA  
GOVERNMENTAL FUND  
STATEMENT OF REVENUES - BUDGET & ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019**

**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	\$ 42,000	\$ 42,000	\$ 45,486	\$ 3,486
Charges For Sanitation & Waste Removal	290,200	290,200	287,099	(3,101)
TOTAL CHARGES FOR SERVICES	<u>332,200</u>	<u>332,200</u>	<u>332,585</u>	<u>385</u>
Miscellaneous Revenue:				
Sale of Cemetery Plots	1,000	1,000	12,243	11,243
Sale of Property	100	100	2,663	2,563
County of Wise-Payment in Lieu of Taxes	-	-	-	-
Coal Severance Committee Appropriation	50,000	50,000	42,189	(7,811)
Miscellaneous	107,870	107,870	36,052	(71,818)
TOTAL MISCELLANEOUS REVENUE	<u>158,970</u>	<u>158,970</u>	<u>93,147</u>	<u>(65,823)</u>
TOTAL REVENUE FROM LOCAL SOURCES	<u>3,059,900</u>	<u>3,059,900</u>	<u>3,622,558</u>	<u>562,658</u>
Revenue From The Commonwealth:				
Non-Categorical Aid:				
Mobile Home Titling Tax	9,000	9,000	16,438	7,438
Rolling Stock Tax	10	10	-	(10)
Car Rental Tax	750	750	2,669	1,919
Financial Assistance To Police Dept.	79,000	79,000	82,400	3,400
PPTRA Tax Relief	57,000	57,000	57,392	392
Communications Sales & Use Tax	100,000	100,000	92,335	(7,665)
TOTAL NON-CATEGORICAL AID	<u>245,760</u>	<u>245,760</u>	<u>251,234</u>	<u>5,474</u>
Categorical Aid:				
Other Categorical Aid:				
Street & Highway Maintenance	520,000	520,000	558,599	38,599
Litter Grant	1,700	1,700	1,736	36
Fire Programs	10,000	10,000	11,374	1,374
Virginia Commission of Arts	4,500	4,500	4,500	-
Byrnes Justice Grants	2,900	2,900	-	(2,900)
VDOT Enhancement Grant	-	-	-	-
VDEM-HMGP	411,800	411,800	-	-
VDOT SGR	-	-	-	-
VDOT MAP 21	1,136,040	1,136,040	46,157	(1,089,883)
DMV Highway Safety Grant	10,000	10,000	-	(10,000)
TOTAL CATEGORICAL AID	<u>2,096,940</u>	<u>2,096,940</u>	<u>622,366</u>	<u>(1,474,574)</u>
TOTAL REVENUE FROM THE COMMONWEALTH	<u>2,342,700</u>	<u>2,342,700</u>	<u>873,600</u>	<u>(1,469,100)</u>

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

**TOWN OF WISE, VIRGINIA  
GOVERNMENTAL FUND  
STATEMENT OF REVENUES - BUDGET & ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019**

**SCHEDULE 1  
Page 3**

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund: (continued)				
Revenue From The Federal Government:				
Categorical Aid:				
Byrnes Justice Grants	\$ -	\$ -	\$ -	\$ -
FEMA-HMGP	1,544,250	1,544,250	-	(1,544,250)
DMV Highway Safety Grant	-	-	-	-
FHA-HSIP-RR Avenue & School	1,510,560	1,510,560	-	(1,510,560)
Selective Enforcement Grant	10,000	10,000	6,217	(3,783)
RD-CF Grant Police Cars & Garbage Truck	-	-	-	-
<b>TOTAL CATEGORICAL AID</b>	<u>3,064,810</u>	<u>3,064,810</u>	<u>6,217</u>	<u>(3,058,593)</u>
<b>TOTAL REVENUE FROM THE FEDERAL GOVT.</b>	<u>3,064,810</u>	<u>3,064,810</u>	<u>6,217</u>	<u>(3,058,593)</u>
Suppl. Approp. From Prior Year Fund Bal.	<u>1,987,670</u>	<u>1,987,670</u>	-	<u>(1,987,670)</u>
<b>TOTAL GENERAL FUND</b>	<u>\$ 10,455,080</u>	<u>\$ 10,455,080</u>	<u>\$ 4,502,375</u>	<u>\$ (5,952,705)</u>

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

**TOWN OF WISE, VIRGINIA  
GOVERNMENTAL FUND  
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019**

**SCHEDULE 2  
Page 1**

FUND, MAJOR & MINOR EXPENDITURE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Government Administration:				
Legislative:				
Town Council	\$ 45,690	\$ 45,690	\$ 34,709	\$ 10,981
TOTAL LEGISLATIVE	<u>45,690</u>	<u>45,690</u>	<u>34,709</u>	<u>10,981</u>
General and Financial Administration:				
Employee Benefits	238,000	238,000	16,348	221,652
Manager	127,200	127,200	118,689	8,511
Professional Services	42,930	42,930	26,457	16,473
Treasurer	189,615	189,615	163,530	26,085
Risk Management	167,850	167,850	107,207	60,643
Data Processing	63,100	63,100	61,105	1,995
TOTAL GENERAL AND FINANCIAL ADMINISTRATION	<u>828,695</u>	<u>828,695</u>	<u>493,336</u>	<u>335,359</u>
TOTAL GENERAL GOVERNMENT ADMINISTRATION	<u>874,385</u>	<u>874,385</u>	<u>528,045</u>	<u>346,340</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Police Department	1,260,825	1,260,825	1,124,297	136,528
TOTAL LAW ENFORCEMENT AND TRAFFIC CONTROL	<u>1,260,825</u>	<u>1,260,825</u>	<u>1,124,297</u>	<u>136,528</u>
Fire and Rescue Services:				
Volunteer Fire Department	71,000	71,000	72,074	(1,074)
Ambulance and Rescue Service	18,000	18,000	18,000	-
TOTAL FIRE & RESCUE SERVICES	<u>89,000</u>	<u>89,000</u>	<u>90,074</u>	<u>(1,074)</u>
Correction and 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  
FOR THE YEAR ENDED JUNE 30, 2019

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	<u>1,350,825</u>	<u>1,350,825</u>	<u>1,214,371</u>	<u>136,454</u>
Public Works:				
Maintenance of Highways, Streets, Bridges, and Sidewalks:				
General Administration	43,660	43,660	65,110	(21,450)
Storm Drainage	2,074,000	2,074,000	6,328	2,067,672
Street Maintenance	4,418,290	4,418,290	891,847	3,526,443
Street Lights	68,000	68,000	63,922	4,078
Snow and Ice Removal	<u>95,460</u>	<u>95,460</u>	<u>39,867</u>	<u>55,593</u>
TOTAL MAINTENANCE OF HIGHWAYS, STREETS, BRIDGES, AND SIDEWALKS	<u>6,699,410</u>	<u>6,699,410</u>	<u>1,067,074</u>	<u>5,632,336</u>
Sanitation and Waste Removal:				
General Engineering/Administration:				
Solid Waste Removal	<u>327,260</u>	<u>327,260</u>	<u>277,903</u>	<u>49,357</u>
TOTAL SANITATION AND WASTE REMOVAL	<u>327,260</u>	<u>327,260</u>	<u>277,903</u>	<u>49,357</u>
Maintenance of General Buildings and Grounds:				
General Engineering/Administration:				
General Properties	<u>178,950</u>	<u>178,950</u>	<u>109,162</u>	<u>69,788</u>
TOTAL MAINTENANCE OF GENERAL BUILDINGS AND GROUNDS	<u>178,950</u>	<u>178,950</u>	<u>109,162</u>	<u>69,788</u>
TOTAL PUBLIC WORKS	<u>7,205,620</u>	<u>7,205,620</u>	<u>1,454,139</u>	<u>5,751,481</u>
Health and Welfare:				
Welfare Social Service:				
Property Tax Relief for Elderly	<u>5,000</u>	<u>5,000</u>	<u>10,455</u>	<u>(5,455)</u>
TOTAL HEALTH AND WELFARE	<u>5,000</u>	<u>5,000</u>	<u>10,455</u>	<u>(5,455)</u>

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

**TOWN OF WISE, VIRGINIA  
GOVERNMENTAL FUND  
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019**

**SCHEDULE 2  
Page 3**

FUND, MAJOR & MINOR EXPENDITURE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>Parks, Recreation and Cultural:</b>				
Parks & Recreation:				
Parks and Play Grounds	\$ 48,550	\$ 48,550	\$ 31,148	\$ 17,402
Swimming Pool	134,500	134,500	107,183	27,317
Cemeteries	5,000	5,000	4,885	115
TOTAL PARKS AND RECREATION	<u>188,050</u>	<u>188,050</u>	<u>143,216</u>	<u>44,834</u>
Cultural Enrichment:				
Pro Art Association	7,600	7,600	7,600	-
Library Art Gallery	1,900	1,900	1,900	-
Friends of South West Virginia	500	500	500	-
Regional Library	9,000	9,000	9,000	-
Planning	59,250	59,250	-	59,250
TOTAL CULTURAL ENRICHMENT	<u>78,250</u>	<u>78,250</u>	<u>19,000</u>	<u>59,250</u>
TOTAL PARKS, RECREATION, AND CULTURAL	<u>266,300</u>	<u>266,300</u>	<u>162,216</u>	<u>104,084</u>
Community Development:				
Planning and Community Development:				
Planning	152,650	152,650	135,987	16,663
Cumberland Airport Commission	3,000	3,000	3,000	-
WBA-Fall Fling	6,000	6,000	6,000	-
Miscellaneous	5,950	5,950	4,500	1,450
TOTAL COMMUNITY DEVELOPMENT	<u>167,600</u>	<u>167,600</u>	<u>149,487</u>	<u>18,113</u>
Debt Service:				
Principal Curtailments	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
TOTAL DEBT SERVICE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfer to Water/Sewer Fund	485,350	485,350	137,398	347,952
Reserve for Contingencies	100,000	100,000	-	100,000
TOTAL GENERAL FUND	<u>\$ 10,455,080</u>	<u>\$ 10,455,080</u>	<u>\$ 3,656,111</u>	<u>\$ 6,798,969</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		
2019	\$ 786,881	\$ 2,250,187	\$ 13,325	\$ 375	\$ 332,585	\$ 93,147	\$ 146,057	\$ 879,817	\$ 4,502,374	
2018	797,412	2,170,923	12,440	825	328,622	120,016	59,010	908,180	4,397,428	
2017	791,340	2,196,980	14,371	1,025	329,840	62,110	39,866	826,380	4,261,912	
2016	808,460	2,182,802	19,889	525	332,696	61,178	39,773	932,629	4,377,952	
2015	659,443	2,042,875	17,340	547	363,970	80,249	27,567	1,273,487	4,465,478	
2014	637,575	1,989,857	15,097	475	357,512	80,002	25,269	753,219	3,859,006	
2013	637,442	2,196,320	17,386	1,562	283,810	188,027	23,813	919,813	4,268,173	
2012	638,392	1,965,533	16,637	1,674	292,545	141,993	29,979	1,107,713	4,194,466	
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	

SCHEDULE 4

TOWN OF WISE, VIRGINIA  
 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				
2019	\$ 528,045	\$ 1,214,371	\$ 1,454,139	\$ 162,216	\$ 10,455	\$ 149,487	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,518,713
2018	535,747	1,153,313	1,465,480	166,617	4,603	144,315	328,243	-	-	-	-	3,798,318
2017	513,477	1,061,477	1,387,571	347,498	11,494	114,089	589,612	-	-	-	-	4,025,218
2016	475,411	1,103,005	1,316,624	171,630	19,182	110,186	-	-	-	-	-	3,196,038
2015	451,939	1,071,881	1,747,530	161,155	2,221	104,539	489,804	-	-	-	-	4,029,069
2014	481,195	1,118,698	1,193,519	120,040	4,939	135,093	320,800	-	-	-	-	3,441,029
2013	518,891	1,174,226	1,289,243	156,531	5,678	131,408	-	-	-	-	-	3,342,722
2012	490,230	1,592,775	1,326,770	213,748	9,920	354,995	-	-	-	-	-	4,055,183
2011	481,126	1,216,251	1,353,447	186,666	6,398	1,447,764	-	-	-	-	-	4,758,397
2010	460,570	1,173,552	1,436,894	236,987	7,881	236,029	-	-	-	-	-	3,618,658

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

**PROPERTY TAX RATES**  
**LAST TEN YEARS**

FISCAL YEARS	REAL ESTATE	PERSONAL PROPERTY	MOBILE HOMES	PUBLIC UTILITY
2019	0.2988	0.6300	0.2988	Various
2018	0.3000	0.6300	0.3000	Various
2017	0.3000	0.6300	0.3000	Various
2016	0.3000	0.6300	0.3000	Various
2015	0.2450	0.5300	0.2450	Various
2014	0.2450	0.5300	0.2450	Various
2013	0.2450	0.5300	0.2450	Various
2012	0.2450	0.5300	0.2450	Various
2011	0.2450	0.5300	0.2450	Various
2010	0.2450	0.5300	0.2450	Various



SCHEDULE 6

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

FISCAL YEAR	TOTAL (1) TAX LEVY	CURRENT TAX (1) COLLECTIONS	PERCENT OF LEVY COLLECTED	DELINQUENT (1)		TOTAL TAX COLLECTIONS	PERCENT OF TOTAL TAX COLLECTIONS OF TAX LEVY		OUTSTANDING (1) DELINQUENT TAXES		PERCENT OF DELINQUENT TAXES TO TAX LEVY
				TAX (2)	COLLECTIONS		TOTAL TAX COLLECTIONS	COLLECTIONS	TAXES	TAXES	
2019	\$ 762,024	\$ 747,449	98.09%	\$ 17,004	764,453	100.32%	\$ 39,730	5.21%			
2018	787,664	734,967	93.31%	20,520	755,487	95.91%	51,775	6.57%			
2017	793,050	764,051	96.34%	23,724	787,775	99.33%	43,254	5.45%			
2016	785,626	752,350	95.76%	33,246	785,596	100.00%	42,974	5.47%			
2015	696,132	610,699	87.73%	35,436	646,135	92.82%	23,526	3.38%			
2014	681,582	601,143	88.20%	13,389	614,532	90.16%	39,594	5.81%			
2013	612,258	604,307	98.70%	13,936	618,243	100.98%	43,702	7.14%			
2012	664,052	600,317	90.40%	21,834	622,151	93.69%	44,850	6.75%			
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%			

Notes:

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

SCHEDULE 7

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

FISCAL YEAR	POPULATION (1)	ASSESSED VALUE (IN THOUSANDS)	GROSS BONDED DEBT (2)	LESS:		NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
				DEBT SERVICE MONIES AVAILABLE	DEBT PAYABLE FROM ENTERPRISE REVENUES			
2019	3,286	\$ 229,166	\$ 1,705,922	-	\$ 1,705,922	-	\$ -	-
2018	3,286	244,060	1,790,524	-	1,790,524	-	-	-
2017	3,286	248,646	1,981,992	-	1,981,992	-	-	-
2016	3,286	247,987	3,555,012	-	3,555,012	-	-	-
2015	3,286	245,893	2,954,345	-	2,954,345	-	-	-
2014	3,286	244,514	2,992,243	-	2,992,243	-	-	-
2013	3,286	242,665	3,083,616	-	3,018,828	64,788	0.0003	19.72
2012	3,286	239,501	2,278,457	-	2,150,963	127,494	0.0005	38.80
2011	3,255	235,209	204,547	-	16,273	188,274	0.0008	57.84
2010	3,255	233,226	279,232	-	32,046	247,186	0.0011	75.94

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

SCHEDULE 8

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

Water and Sewer Revenue Bonds

Fiscal Year	Gross revenues	Less operating expenses	Net revenues available for debt service	Debt Service		Coverage
				Principal	Interest	
2010	6,116,387	(5,817,609) \$	298,778	72,390	11,019	358%
2011	7,114,429	(6,832,699) \$	281,730	74,685	8,764	338%
2012	6,436,574	(6,194,388) \$	242,186	77,052	6,223	291%
2013	7,006,190	(6,189,116) \$	817,074	67,877	24,494	885%
2014	6,976,919	(6,227,676) \$	749,243	91,373	196,383	260%
2015	7,309,762	(6,171,658) \$	1,138,104	37,899	113,589	751%
2016	7,762,873	(6,123,160) \$	1,639,713	39,320	112,617	1079%
2017	7,214,728	(6,198,311) \$	1,016,417	2,916,008	57,335	34%
2018	7,457,800	(6,765,545) \$	692,255	191,946	43,807	294%
2019	7,635,388	(6,325,229) \$	1,310,159	118,141	41,980	818%

**TOWN OF WISE, VIRGINIA  
SCHEDULE OF LEGAL DEBT MARGIN  
FOR THE YEAR ENDED JUNE 30, 2018**

**SCHEDULE 9**

Legal Debt Limit	
10% of Assessed Value Of Taxable Real Estate (Including Public Utility Real Estate) (\$229,165,812 x .10)	\$ 22,916,581
Deduct	
Bonds Payable	<u>(1,705,922)</u>
Legal Margin For Creation Of Additional Debt	<u>\$ 21,210,659</u>

**TOWN OF WISE, VIRGINIA  
SCHEDULE OF FUND BALANCES - GASB 54  
JUNE 30, 2019**

**SCHEDULE 10**

**General Fund Balances:**

**Nonspendable:**

Cemetery Saving	\$ 431,343
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**Restricted for:**

Asset forfeiture	9,035
VRS Pension Reserve	600,000

<b>Unassigned:</b>	<u>6,730,588</u>
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<b>General Fund Balance June 30, 2019</b>	<u><u>\$7,770,966</u></u>
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**TOWN OF WISE, VIRGINIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**VIRGINIA RETIREMENT SYSTEM**  
**RETIREMENT PLAN**  
**JUNE 30, 2019**

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

	2018	2017	2016	2015	2014
<b>Total pension liability</b>					
Service cost	\$ 213,327	\$ 220,610	\$ 230,075	\$ 223,237	\$ 227,300
Interest	710,828	708,642	682,748	654,198	611,870
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	496,144	(338,765)	(34,038)	(178,761)	-
Changes in assumptions	-	(38,071)	-	-	-
Benefit Payments, including refunds of employee contributions	(381,844)	(660,550)	(357,183)	(224,440)	(244,530)
<b>Net change in total pension liability</b>	<b>1,038,455</b>	<b>(108,134)</b>	<b>521,602</b>	<b>474,234</b>	<b>594,640</b>
<b>Total pension liability-beginning</b>	<b>10,345,604</b>	<b>10,453,738</b>	<b>9,932,136</b>	<b>9,457,902</b>	<b>8,863,262</b>
<b>Total pension liability-ending (a)</b>	<b>\$ 11,384,059</b>	<b>\$ 10,345,604</b>	<b>\$ 10,453,738</b>	<b>\$ 9,932,136</b>	<b>\$ 9,457,902</b>
<b>Plan fiduciary net position</b>					
Contributions-employer	\$ 160,282	\$ 150,412	\$ 192,824	\$ 192,583	\$ 184,911
Contributions-employee	106,867	100,363	103,463	103,496	111,612
Net investment income	753,383	1,119,050	163,417	413,438	1,218,703
Benefit Payments, including refunds of employee contributions	(381,844)	(660,550)	(357,183)	(224,440)	(244,530)
Administrative expense	(6,474)	(6,688)	(5,844)	(5,508)	(6,458)
Other	(672)	(996)	(69)	(88)	64
<b>Net change in plan fiduciary net position</b>	<b>631,542</b>	<b>701,591</b>	<b>96,608</b>	<b>479,481</b>	<b>1,264,302</b>
<b>Plan fiduciary net position-beginning</b>	<b>10,188,448</b>	<b>9,486,857</b>	<b>9,390,249</b>	<b>8,910,768</b>	<b>7,646,466</b>
<b>Plan fiduciary net position-ending (b)</b>	<b>\$ 10,819,990</b>	<b>\$ 10,188,448</b>	<b>\$ 9,486,857</b>	<b>\$ 9,390,249</b>	<b>\$ 8,910,768</b>
<b>Town of Wise, Virginia's</b>					
<b>Net pension liability-ending (a) - (b)</b>	<b>\$ 564,069</b>	<b>\$ 157,156</b>	<b>\$ 966,881</b>	<b>\$ 541,887</b>	<b>\$ 547,134</b>
<b>Plan fiduciary net position as a percentage of the total</b>					
<b>Pension liability</b>	95.0%	98.5%	90.8%	94.5%	94.2%
<b>Covered payroll</b>	<b>\$ 2,191,616</b>	<b>\$ 2,175,316</b>	<b>\$ 2,034,452</b>	<b>\$ 2,071,817</b>	<b>\$ 2,071,642</b>
<b>Town of Wise, Virginia's net pension liability</b>					
<b>As a percentage of covered payroll</b>	25.7%	7.2%	47.5%	26.2%	26.4%

**TOWN OF WISE, VIRGINIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**VIRGINIA RETIREMENT SYSTEM**  
**RETIREMENT PLAN**  
**JUNE 30, 2019**

**Schedule of Employer Contributions**  
**For the Years Ended June 30, 2010 through 2019**

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2019	162,496	164,322	0	2,156,457	7.62%
2018	162,496	162,496	0	2,191,616	7.47%
2017	151,974	151,974	0	2,175,316	7.47%
2016	193,770	193,770	0	2,034,452	9.3%
2015	192,679	192,679	0	2,071,817	9.3%
2014	184,912	184,912	0	2,071,642	8.6%
2013	179,791	179,791	0	2,090,590	8.6%
2012	75,717	75,717	0	1,947,445	3.84%
2011	74,370	74,370	0	1,886,959	3.84%
2010	73,069	73,069	0	1,936,727	3.84%

**TOWN OF WISE, VIRGINIA**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**VRS RETIREMENT PLAN**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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

**Changes of assumptions** – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016.

Largest 10 – Non-Hazardous Duty

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

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

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

Largest 10 – Hazardous Duty

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



**TOWN OF WISE, VIRGINIA**  
 NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
 VRS RETIREMENT PLAN  
 FOR THE YEAR ENDED JUNE 30, 2019

All Others (Non 10 Largest) – Hazardous Duty

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

**TOWN OF WISE, VIRGINIA**  
REQUIRED SUPPLEMENTARY INFORMATION  
VIRGINIA RETIREMENT SYSTEM  
GROUP LIFE INSURANCE PROGRAM  
JUNE 30, 2019

**Schedule of Town of Wise, Virginia's Share of  
Net OPEB Liability  
Group Life Insurance Program  
For the Year Ended June 30, 2019**

	2018	2017
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.01103%	0.01144%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 174,000	\$ 166,000
Employer's Covered Payroll	\$ 2,191,616	\$ 2,175,316
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	7.94%	7.63%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%	48.86%

*Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.*

**For Reference Only:** The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 121 of the VRS 2018 Comprehensive Annual Financial Report (CAFR).

**TOWN OF WISE, VIRGINIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**VIRGINIA RETIREMENT SYSTEM**  
**GROUP LIFE INSURANCE PROGRAM**  
**JUNE 30, 2019**

**Schedule of Employer Contributions**  
**For the Years Ended June 30, 2010 through 2019**

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2019	10,579	10,579	0	2,191,616	0.48%
2018	11,312	11,312	0	2,175,316	0.52%

*Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.*

**TOWN OF WISE, VIRGINIA**  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
GROUP LIFE INSURANCE PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2019

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

**Changes of assumptions** – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016.

**General State Employees**

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

**Teachers**

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

**SPORS Employees**

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

**TOWN OF WISE, VIRGINIA**  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
GROUP LIFE INSURANCE PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2019

**VaLORS Employees**

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

**JRS Employees**

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

**Largest Ten Locality Employers-General Employees**

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

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

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

**TOWN OF WISE, VIRGINIA**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**GROUP LIFE INSURANCE PROGRAM**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Largest Ten Locality Employers—Hazardous Duty Employees**

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

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

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

**COMPLIANCE**

# LARRY D. STURGILL, P. C.

LARRY D. STURGILL

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## 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 activity and the business-type activities of the Town of Wise, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 15, 2019.

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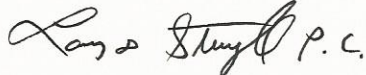
deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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, VA  
November 15, 2019

**Town of Wise, Virginia**  
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