

AUDIT REPORT

JUNE 30, 2020

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JUNE 30, 2020**

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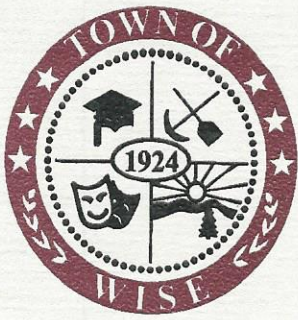
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INTRODUCTORY SECTION



Town of Wise
501 West Main Street
P.O. Box 1100
Wise, Virginia 24293

(276) 328-6013
Fax (276) 328-2519
www.townofwise.net

PROFILE OF THE TOWN

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

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

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

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

LOCAL ECONOMY

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

The College's Economic Development Office provides resources for local business recruiting efforts and its business launch program connects individuals with faculty, students, and other regional, state, federal resources to help build an entrepreneurial

culture in Southwest Virginia. The College also operates a cyber-technology business accelerator.

Town residents are largely employed in education services associated with UVA-Wise and the Wise County School System. The function of the Town as the county seat also brings significant employment in governmental and professional services. The retail trade industry has a strong presence with a number of regional shopping centers. Chain and independent restaurants provide another important source of employment. Call centers also provide work for a number of local residents. Crutchfield Corporation, the nation's leading catalog and internet retailer of audio and video components employs over one hundred highly skilled people to respond to sales, technical support, and service calls. In addition, Sykes Enterprises, Inc., a global in-bound customer technical support center provides support for hardware and software products from various companies including TurboTax and Quickbooks and employs nearly 1,000 area residents. A nearby \$72M data center provides business continuity and disaster recovery services for major corporate and governmental clients. 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 hosts numerous and varied events throughout the year as well as the Gilliam Center for the Performing Arts. The local winery at Mountain Rose Vineyard has captured national attention for its unique adaptive reuse of a reclaimed coal mine site as well as accolades for its award-winning wines.

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

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 2020

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

Government Administration

On June 25, 2019, the Wise Town Council adopted a General Fund budget for FY 2020 totaling nearly \$9.2 million and representing a decrease of 11% from the previous fiscal year. This decrease is due, in large part, to withdrawal of a number of property owners from the voluntary real estate buyout of the Hazard Mitigation Program and to a significant reduction in General Fund subsidy of the Water Fund and the Sewer Fund. Also notable was withdrawal of pedestrian improvements projects from the budget after unsuccessful attempts to secure grant funding.

The State Revolving Fund (SRF) through the Virginia Department of Health was tapped to finance a project to rehabilitate a water storage tank on Roberts Ave. The funding package required that the Town raise water rates 3% per year for the next five years. The first year of the mandated revenue increases was enacted at the beginning of FY 20. The budget for FY 20 did not include changes to any other taxes, fees, charges, or levies.

The Town supports a number of charitable institutions, volunteer, and nonprofit organizations which serve residents. Most notable, during Fiscal Year 20, just over \$60,000 was set aside to support the operation of the Wise Volunteer Fire Department, \$9,500 for the Lonesome Pine Regional Library, \$1,900 for the Library Art Gallery, \$3,000 for the Cumberland Airport Commission, \$7,600 for Pro-Art, and \$20,000 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, and \$6,000 to assist with Wise Fall Fling festival expenses. The Town also supported the Virginia High School Coaches Association All-Star Football game held at UVA-Wise. 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 sixth year running, the Wise Water Treatment Plant received an Excellence in Waterworks Operations Award from the Virginia Department of Health. This award recognizes the treatment plant staff, the distribution system personnel, the billing and collections department, management, and the governing body for their good stewardship of the utility system. Constructed in 1964, the Wise Water Treatment Plant serves approximately 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, the Treasurer's office collected 94 percent of the current tax levy. This year, the department replaced five computer workstations and purchased a new safe to store computer back-ups, investment certificates, bonds, and other sensitive documents.

Cash Management

Cash temporarily idle during the year was invested in time deposits and various authorized money market instruments. The town's investment activities are designed to obtain a higher yield on available funds consistent with constraints imposed by safety objectives, cash flow considerations, and state laws restricting the placement of funds. The amount of interest earned for FY 20 was \$125,713. This is a decrease from interest earned on temporary investments in FY 19 which totaled \$162,315.

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 68% of the General Fund budget for FY 19-20 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-

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 119 school walk-throughs and presentation of programs for the Head Start Program and the Wise Primary School. In addition, officers periodically eat lunch with children at the Primary School. Business bank deposit escorts are routinely provided and over 10,241 business security checks were completed providing opportunities for interaction with the police personnel. The Department also manned traffic checkpoints during 27 selective enforcement events.

In carrying out its various law enforcement functions this past year, the police department handled over 36,493 requests for assistance which led to the issuance of 243 summons and 70 arrests. Calls included reports of theft, vandalism, assault, juvenile crime, traffic accidents, family violence, and disabled motorist assists. The Department also completed 18,642 property checks

This past year, the Department replaced two 2010 Impala cruisers with new sport utility vehicles to assure a reliable fleet of response vehicles. The Department also replaced the back-up power supply for the mobile communication system. Grant funding was utilized to purchase ten laptop computers and wireless modems to equip each police cruiser and two supervisors received new desktop workstations. The mobile computers make it possible for officers to access databases, complete reports, record witness statements, and upload digital photos without going back to the police station. This technology has proven to be essential for physical distancing of police personnel during the pandemic.

Public Works

Much of the work performed by the Public Works Department involves routine maintenance. Utility crews answered 4,034 service calls during normal business hours and responded to 11 call-outs after hours. The Division installed 27 new water taps, 9 new sewer taps, and replaced 48 meters. Approximately 1,173 feet of new water line and 780 feet of new sewer line was also constructed. This past year, 3,280 feet of sewer line was filmed and tested and 1 fire hydrant was replaced. Personnel also responded to 194 requests for location and marking of underground utilities.

Water losses and associated revenue losses occur in all water utilities. The Town's public works department regularly audits water supplies and implements controls to keep system losses at reasonable levels. As a result of active resource management, the average monthly water loss through pipeline leakage was less than 8% in FY 20 which is well below the industry standard.

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

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

In FY 20, the Street Department overlaid portions of fourteen roads in an effort to repair damage associated with the weather, wear and tear, and utility cuts. Maintenance of coal haul routes included the pavement of a portion of West Main Street and a portion of Lake Street. The Town continued work on a \$15M “Smart Scale” project to add additional travel lanes on Norton Road. Acquisition of right-of-way has begun and construction is expected to begin in 2022. Work on construction drawings for sidewalk improvements on a portion of Norton Road was commenced in FY 20. Phase II of the streetscape project was completed on East Main Street from Tacoma Ave to Railroad Ave. Improvements included 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 20, a four-person sanitation crew collected and transported 3,141 tons of waste to Wise County’s Blackwood Landfill. In addition, 8 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 20, a number of vehicles and equipment which had outlived their useful life were replaced as follows: a 1996 chipper, a 1992 leaf vacuum and collection box, and a 2007 pick-up truck utilized by water treatment plant personnel.

Several municipal properties were upgraded during FY20. SCADA equipment monitoring water tanks was replaced and upgraded. In addition, a portion of the lake recreation area parking lot was resurfaced. Pumps in sewer lift stations at Addington Ave and at Hamilton Street were replaced. The central business district was enhanced with new Christmas decorations and new banners.

Planning and Community Development

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

The Tax Cut and Jobs Act of 2017 created Opportunity Zones to incentivize investment in targeted distressed communities. Those investing in a qualified Opportunity Zone via a "Qualified Opportunity Fund" can defer payment of federal taxes on any recent capital gains, reduce owed tax payments by 15%, and pay no taxes on gains earned from investment in an Opportunity Zone. These tax advantages can be paired with other Federal tax credit programs, other state regional & local incentives, and philanthropic funding. The Town successfully secured a Virginia Qualified Opportunity Zone designation and worked in FY 20 to market the zone.

Despite a challenging economic environment, the Town posted gains in business recruiting. At the beginning of the year, Wise had 201 established businesses and during FY 2020, 5 new businesses elected to locate in the Town. In addition, two permits were issued for the construction of new residences and a site plan was approved for the construction of an addition to the Food City store fronting US 23. 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. Five properties were cited for Property Maintenance Code violations and one request for mowing of property was sent.

The Planning Department continued work with the Virginia Department of Emergency Management and the Federal Emergency Management Agency on 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.

FACTORS AFFECTING FUTURE FINANCIAL CONDITION

The economic condition and outlook for the Town of Wise is very guarded due in large part to COVID-19. The coronavirus disease (COVID-19) is a respiratory illness that spreads from person to person and was first detected in China in December of 2019. Just three months later on March 11, 2020, the World Health Organization (WHO) announced a COVID-19 pandemic and Governor Northam declared a State of Emergency for Virginia on March 12, 2020. Shortly thereafter Wise County officials declared a local emergency and on March 19th, the Town of Wise closed its office to the public but employees continued to report for duty daily.

In early 2020, Virginians were under “stay at home” orders in an effort to slow virus spread. Schools stopped in-person classes, non-essential businesses were closed, supply chains were completely disrupted, gatherings were banned, and restaurants were restricted to take out and delivery services. Job losses and decreases in income led to risk of foreclosure, eviction, and food emergencies.

Municipal revenue streams that support critical local services are at risk. Business closures have impacted tax collections and residential utility delinquencies have impacted revenue streams. At the same time, localities have seen an unprecedented rise in costs for materials and in expenditures related to the pandemic. Without future financial relief, local governments will have few options to address revenue shortfalls. At the close of the fiscal year, the pandemic has created a global health, human, economic, and social crisis of historic proportions.

Municipal response to COVID-19 included adopting policies and procedures to protect the workforce and the public and to ensure continuity of operations and essential services. The Town secured personal protective equipment and adopted enhanced cleaning schedules. Management shifted operations and adjusted budgets. To protect the health and safety of the public, Arrowhead Park, the Wise Swim Facility, and Dotson Park were closed. Likewise, special events and group activities were cancelled including the summer concert series, family movie nights at Big Glades, the Farmer’s Market, the Chillin and Grillin barbeque festival, and the Fall Fling festival. To support small businesses hardest hit by the pandemic, the Town partnered with the Wise Business Association to sponsor and fund a “Business Bingo” and a “Restaurant Race” promotion to encourage patronage of local participating businesses.

Historically, the University of Virginia’s College at Wise (UVA-Wise) has provided a stabilizing influence in the local economy. The combination of approximately 2,000 students and over 500 faculty and staff bring significant buying power and tax base to the Town which local merchants can work to capture. However, with a pivot to virtual instruction, it is unclear what Fall enrollment will look like.

During FY 20, the Federal government expanded unemployment insurance benefits, provided stimulus payments to taxpayers, provided financial aid to local governments through the CARES Act, and adopted a number of measures to delay taxes and provide grants to businesses to shore up the economy. Therefore, the worst of the revenue shortfalls attributed to COVID-19 are anticipated to impact financial statements in FY 21, but the governing body’s foresight in maintaining a very healthy fund balance has eased cash flow pressures brought on by the pandemic.

Additional concerns for the future include increased premiums for health insurance as COVID-19 negatively impacts costs for all medical services. In addition, small returns on investments in the Virginia Retirement System pension fund will likely translate into increased contributions by employers. Also at play is a likely increase in the cost for purchase of state and federal unemployment insurance.

Local governments, including the Town of Wise, are facing increasing demands for capital to address aging infrastructure. Capital projects cannot be funded out of current local revenue. Safety nets once available through grant programs have transitioned to grant/loan packages in the short term with the long-term goal to transition to low interest loans. In the future, the Town will have to incur more debt to address large capital improvements projects.

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. Balancing funding for existing programs and the needs for capital improvements with taxpayer affordability will be a difficult exercise. Moving forward, the Town hopes to leverage new workforce training programs and economic development initiatives to build positive momentum. Strategic objectives are to remain a steady dependable performer for the citizens and to have reserves in place to support and take advantage of new opportunities for business investment.

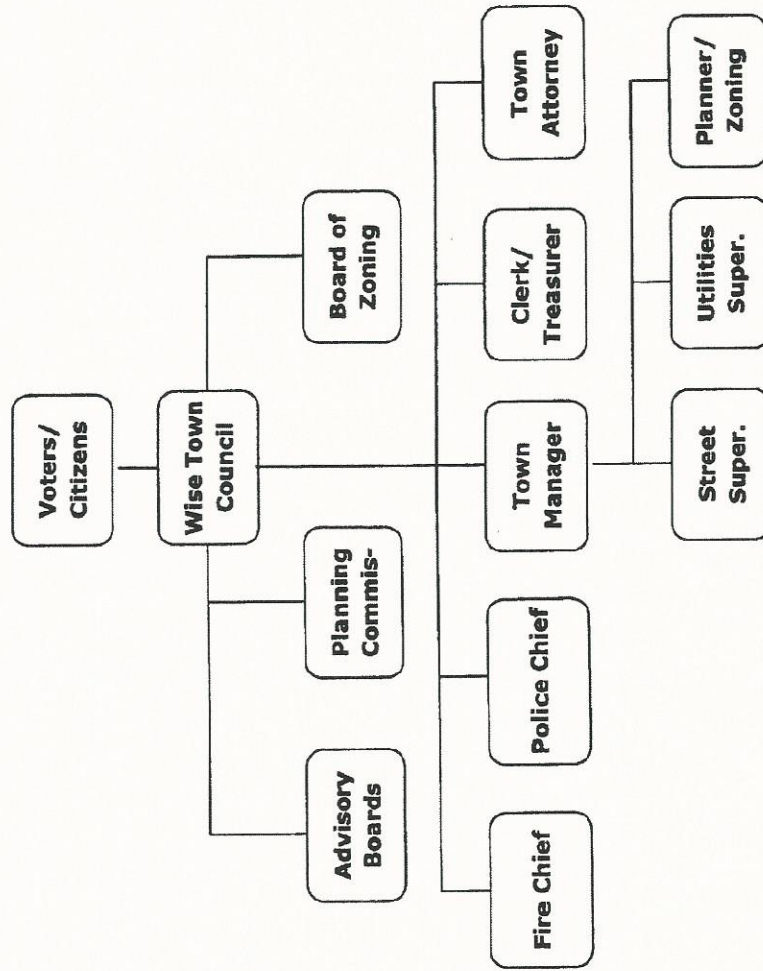
MEMBERS OF COUNCIL

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

OTHER TOWN OFFICIALS

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

Town of Wise Organizational Chart



LARRY D. STURGILL, P. C.

LARRY D. STURGILL

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

CERTIFIED PUBLIC ACCOUNTANT
P. O. BOX 2080 WISE, VIRGINIA 24293-2080
TELEPHONE (276) 328-9593 FAX (276) 328-2131
email: lsturgill@larrydsturgillcpa.com

MEMBER
TENNESSEE & VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund information of the Town of Wise, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

The Honorable Members of Town Council
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 activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wise, Virginia, as of June 30, 2020, 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
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Other Information

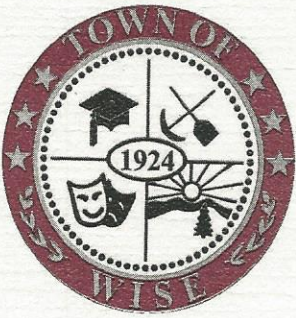
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Wise, Virginia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical sections are presented for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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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



Larry D. Sturgill, P.C.
Wise, Virginia
November 10, 2020



Town of Wise
501 West Main Street
P.O. Box 1100
Wise, Virginia 24293

(276) 328-6013
Fax (276) 328-2519
www.townofwise.net

**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, 2020. 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 \$27,789,796 (net position). Of this amount, \$7,655,365 (unrestricted) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$1,091,945 of which the governmental activities increased by \$1,008,346 and business-type activities increased by \$83,599.
- As of the close of the current fiscal year; the Town's general fund reported an ending fund balance of \$8,296,649, an increase of \$505,712 in comparison with the prior year. \$7,259,295 of this total amount is available for spending at the Town's discretion (unassigned fund balance).
- Unassigned fund balance for the general fund was \$7,259,295, or 173% percent of total general fund expenditures and 167% of total general fund revenues.
- The Town's total debt decreased by \$85,140 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 \$27,789,796 at the close of fiscal year 2020.

The largest portion of the Town's net position (\$18,283,650; 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>2020</u>	<u>2019</u>
Current and Other Assets	\$10,181,771	\$ 8,939,967
Capital Assets, net	19,894,942	19,575,028
Other Noncurrent Assets	1,400,000	1,400,000
Deferred Outflows	<u>952,543</u>	<u>581,805</u>
Total Assets and Deferred Outflows	<u>32,429,256</u>	<u>30,496,800</u>
<u>Liabilities and Deferred Inflows:</u>		
Current Liabilities	781,903	439,948
Long-Term Liabilities Outstanding	3,626,381	3,007,462
Deferred Inflows	<u>231,176</u>	<u>352,539</u>
Total Liabilities and Deferred Inflows	<u>4,639,460</u>	<u>3,798,949</u>
<u>Net Position:</u>		
Net Investment in Capital Assets	18,283,650	17,954,246
Restricted	1,850,781	1,840,833
Unrestricted	<u>7,655,365</u>	<u>6,902,772</u>
Total Net Position	<u>27,789,796</u>	<u>26,697,851</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$32,429,256</u>	<u>\$30,496,800</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 \$1,091,945. Key elements of this increase are as follows:

Town of Wise, Virginia’s Change in Net Position		
	<u>Primary Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 3,352,731	\$ 3,381,965
Grants and Contributions	1,285,675	820,665
General Revenues:		
Property Taxes	780,600	785,988
Other Local Taxes	2,197,011	2,419,021
Other	173,157	227,749
Total Revenues	<u>\$ 7,789,174</u>	<u>\$ 7,635,388</u>
Expenses:		
General Government	\$ 569,317	\$ 517,248
Public Safety	1,232,506	1,181,447
Public Works	1,449,410	1,359,677
Health and Welfare	5,897	0
Parks, Recreation and Culture	207,672	240,228
Community Development	211,691	225,927
Interest Expense	0	0
Water and Sewer	3,020,736	2,800,702
Total Expenses	<u>\$ 6,697,229</u>	<u>\$ 6,325,229</u>
 Increase (Decrease) in Net Position	 \$ 1,091,945	 \$ 1,310,159
Net Position – June 30, 2019 as Restated	<u>26,697,851</u>	<u>25,425,483</u>
Net Position – June 30, 2020	<u>\$ 27,789,796</u>	<u>\$26,735,642</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 \$8,310,075, an increase of \$508,468 in comparison with the prior year. \$1,050,780 (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, \$7,259,295 constitutes *unassigned fund balance*. Unassigned fund balances are technically available for any remaining purpose, but are maintained at targeted levels in accordance with sound financial management practices.

The General Fund is the operating fund of the Town (Exhibit 3). The General Fund's balance increased \$505,712 during fiscal year 2020 to \$8,296,649, of which \$7,259,295 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 2020, the General Fund's assigned and unassigned fund balances of \$8,296,649 represents (176%) of total General Fund revenues of \$4,709,945. In addition, General Fund's unassigned fund balance totaled \$7,259,295 and continues to exceed the 10% minimum set by the Town's fund balance policy. The \$505,712 fiscal year 2020 increase in the General Fund's fund balance resulted from General Fund revenues of \$4,709,945 less expenditures of \$4,175,228 and a transfer of \$29,005 to the water and sewer funds, 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 \$4,995,647 lower than anticipated, while revenues were \$4,489,935 lower than anticipated, resulting in a favorable difference of \$505,712 (the net change in fund balance).

Capital Asset and Debt Administration

Capital assets: The Town's investment in capital assets for its primary governmental activities as of June 30, 2020 amounts to \$18,283,650, net of related debt and accumulated depreciation. This investment is in land, buildings and improvements, infrastructure, and machinery and equipment. The total increase in the Town's investment in capital assets, net of depreciation, for all funds in the current fiscal year was \$291,395.

Town of Wise, Virginia's Change in Capital Assets

Governmental Activities

	<u>2020</u>	<u>2019</u>
Land	\$ 2,287,892	\$ 2,287,892
Buildings and Building Improvements	3,248,572	3,243,754
Infrastructure	27,962,744	26,748,804
Equipment	<u>4,788,653</u>	<u>4,649,207</u>
Total	38,287,861	36,929,657
Less: Accumulated Depreciation	<u>(18,392,919)</u>	<u>(17,326,109)</u>
Net Capital Assets	<u>\$19,894,942</u>	<u>\$ 19,603,548</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 \$1,620,782, in addition to claims, judgments, and compensated absences of \$138,745. Of this amount, \$1,620,782 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 \$85,140.

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 2020 unemployment rate for the local area was 9.4% percent, which is an increase from a rate of 4.9% percent a year ago. This is higher than the state's average unemployment rate of 8.4% percent by 1 percent and lower than the national average rate of 11.1% by 1.7 percent. These changes resulted mostly from the COVID-19 pandemic.

All of these factors were considered in preparing the Town's budget for the 2020 fiscal year.

Rates

The appropriate tax rates for the 2019-2020 year are as follows: .30 per \$100 value for real estate, mobile home taxes, and public utilities real estate, .63 per \$100 value for personal property, machinery and tools, and public service personal property.

Request for Information

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

BASIC FINANCIAL STATEMENTS

TOWN OF WISE, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2020

	<u>Primary Government</u>		<u>Total Primary Governmental Activities</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
ASSETS			
Current assets:			
Cash and Cash Equivalents	\$ 7,391,325	\$ 1,475,289	\$ 8,866,614
Receivables, net			
Taxes	161,560	-	161,560
Accounts	45,170	391,773	436,943
Other	62	-	62
Due from Other Governmental Units	143,758	17,219	160,977
Restricted Cash	450,780	104,835	555,615
Total current assets	<u>8,192,655</u>	<u>1,989,116</u>	<u>10,181,771</u>
Noncurrent assets:			
Restricted cash	600,000	800,000	1,400,000
Capital assets:			
Land, non-depreciable improvements, and construction in progress	1,991,892	296,000	2,287,892
Other capital assets, net of depreciation	7,875,910	9,731,140	17,607,050
Total capital assets	<u>9,867,802</u>	<u>10,027,140</u>	<u>19,894,942</u>
Total assets	<u>18,660,457</u>	<u>12,816,256</u>	<u>31,476,713</u>
DEFERRED OUTFLOWS			
Pension Plan	456,642	456,640	913,282
OPEB	19,631	19,630	39,261
Total deferred outflows	<u>476,273</u>	<u>476,270</u>	<u>952,543</u>
LIABILITIES			
Current liabilities:			
Accounts payable	397,066	70,169	467,235
Accrued liabilities and wages	68,461	38,454	106,915
Compensated Absences	8,572	5,302	13,874
Customer deposits	-	104,835	104,835
General Obligation Bonds Payable	-	89,044	89,044
Total current liabilities	<u>474,099</u>	<u>307,804</u>	<u>781,903</u>
Noncurrent liabilities:			
Noncurrent Portion of Compensated Absences	77,149	47,722	124,871
Other Post Employment Benefit Liability	618,035	89,826	707,861
Net Pension Liability	625,719	625,716	1,251,435
Accrued Interest	-	10,476	10,476
Noncurrent Portion of Long-term Obligation	-	1,531,738	1,531,738
Total noncurrent liabilities	<u>1,320,903</u>	<u>2,305,478</u>	<u>3,626,381</u>
Total liabilities	<u>1,795,002</u>	<u>2,613,282</u>	<u>4,408,284</u>
DEFERRED INFLOWS			
Pension Plan	104,491	104,484	208,975
OPEB	11,101	11,100	22,201
Total deferred inflows	<u>115,592</u>	<u>115,584</u>	<u>231,176</u>
NET POSITION			
Net investment in capital assets	9,876,837	8,406,813	18,283,650
Restricted-cemetery savings	437,355	-	437,355
Restricted-debt reserves	-	800,000	800,000
Restricted - VRS Reserves	600,000	-	600,000
Restricted-asset forfeiture	13,426	-	13,426
Unrestricted	6,298,518	1,356,847	7,655,365
Total net position	<u>\$ 17,226,136</u>	<u>\$ 10,563,660</u>	<u>\$ 27,789,796</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, 2020**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental Activities:							
General government administration	\$ 569,317	\$ -	\$ -	\$ 4,500	\$ (564,817)	\$ -	\$ (564,817)
Public safety	1,232,506	-	109,434	48,728	(1,074,344)	-	(1,074,344)
Public works	1,449,410	284,986	559,950	525,243	(79,231)	-	(79,231)
Health and welfare	5,897	-	-	-	(5,897)	-	(5,897)
Parks, recreation and cultural	207,672	30,403	-	-	(177,269)	-	(177,269)
Community development	211,691	-	-	-	(211,691)	-	(211,691)
Interest and fiscal charges	-	-	-	-	-	-	-
Total governmental activities	<u>3,676,493</u>	<u>315,389</u>	<u>669,384</u>	<u>578,471</u>	<u>(2,113,249)</u>	<u>-</u>	<u>(2,113,249)</u>
Business-type Activities:							
Water	1,641,145	1,603,917	-	32,420	-	(4,808)	(4,808)
Sewer	1,397,113	1,433,425	-	5,400	-	41,712	41,712
Total business-type activities	<u>3,038,258</u>	<u>3,037,342</u>	<u>-</u>	<u>37,820</u>	<u>-</u>	<u>36,904</u>	<u>36,904</u>
Total primary government	<u>\$ 6,714,751</u>	<u>\$ 3,352,731</u>	<u>\$ 669,384</u>	<u>\$ 616,291</u>	<u>(2,113,249)</u>	<u>36,904</u>	<u>\$ 2,076,345</u>
General Revenues:							
Taxes:							
Property Taxes, levied for general purposes					780,600	-	780,600
Utility Taxes					76,684	-	76,684
Mineral Taxes					28,256	-	28,256
Franchise Taxes					4,465	-	4,465
Local Sales and Use Taxes					117,743	-	117,743
Other Local Taxes					1,969,863	-	1,969,863
Investment Income					108,191	17,522	125,713
Operating transfers and adjustments					(29,504)	29,504	-
Gain/(Loss) from Property Disposal					2,469	(331)	2,138
Other					62,828	-	62,828
Total general revenues and transfers					<u>3,121,595</u>	<u>46,695</u>	<u>3,168,290</u>
Change in Net Position					1,008,346	83,599	5,244,635
Net position - beginning, as restated					16,217,790	10,480,061	26,697,851
Net position - ending					<u>\$ 17,226,136</u>	<u>\$ 10,563,660</u>	<u>\$ 31,942,486</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF WISE, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2020**

	General Fund	Special Revenue Funds	Total
ASSETS			
Cash and cash equivalents	\$ 7,391,325	\$ -	\$ 7,391,325
Receivables, net:			
Taxes	161,560	-	161,560
Accounts	45,170	-	45,170
Other	62	-	62
Due from other governments	143,758	-	143,758
Restricted cash	<u>1,037,354</u>	<u>13,426</u>	<u>1,050,780</u>
Total assets	<u><u>8,779,229</u></u>	<u><u>13,426</u></u>	<u><u>8,792,655</u></u>
LIABILITIES			
Accounts payable	397,066	-	397,066
Accrued payroll and related liabilities	<u>68,461</u>	<u>-</u>	<u>68,461</u>
Total liabilities	<u><u>465,527</u></u>	<u><u>-</u></u>	<u><u>465,527</u></u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	<u>17,053</u>	<u>-</u>	<u>17,053</u>
Total deferred inflows of resources	<u><u>17,053</u></u>	<u><u>-</u></u>	<u><u>17,053</u></u>
FUND BALANCES			
Nonspendable for cemetery	437,354	-	437,354
Restricted - VRS Reserves	600,000	-	600,000
Restricted for debt service	-	-	-
Restricted for asset forfeiture	-	13,426	13,426
Unassigned funds	<u>7,259,295</u>	<u>-</u>	<u>7,259,295</u>
Total fund balances	<u><u>8,296,649</u></u>	<u><u>13,426</u></u>	<u><u>8,310,075</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 8,779,229</u></u>	<u><u>\$ 13,426</u></u>	<u><u>\$ 8,792,655</u></u>

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

Total Fund Balances \$ 8,310,075

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 \$18,712,909 and the accumulated depreciation is \$8,845,107 9,867,802

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. 377,734

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	(618,035)	
Compensated absences	(85,721)	
Net pension liability	(625,719)	<u>(1,329,475)</u>

Net Position of Governmental Activities \$ 17,226,136

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

TOWN OF WISE, VIRGINIA **EXHIBIT 4**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Special Revenue Funds	Total
REVENUES			
General property taxes	\$ 778,776	\$ -	\$ 778,776
Other local taxes	2,039,581	-	2,039,581
Permits, privilege fees and regulatory licenses	550	-	550
Fines and forfeitures	3,391	-	3,391
Revenue from the use of money and property	108,191	-	108,191
Charges for services	315,389	-	315,389
Miscellaneous	158,924	2,756	161,680
Intergovernmental	1,305,143	-	1,305,143
Total revenues	4,709,945	2,756	4,712,701
EXPENDITURES			
Current:			
General government administration	545,609	-	545,609
Public safety	1,233,178	-	1,233,178
Public works	2,129,181	-	2,129,181
Health and Welfare	5,897	-	5,897
Parks, recreation and cultural	135,740	-	135,740
Community development	125,623	-	125,623
Debt Service:			
Principal Retirement	-	-	-
Interest	-	-	-
Total expenditures	4,175,228	-	4,175,228
Excess (deficiency) of revenues over expenditures	534,717	2,756	537,473
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	-	-
Operating transfers	(29,005)	-	(29,005)
Total other financing sources (uses)	(29,005)	-	(29,005)
Net change in fund balance	505,712	2,756	508,468
Fund balance - beginning, as restated	7,790,937	10,670	7,801,607
Fund balance - ending	\$ 8,296,649	\$ 13,426	\$ 8,310,075

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, 2020**

EXHIBIT 5

**General
Fund**

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

Net Change in Fund Balance- total governmental fund	\$ 508,468
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.	611,493
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.	1,824
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.	(101,636)
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>(11,803)</u>
Total change in net position of governmental activities	<u>\$ 1,008,346</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, 2020

	Water Fund	Sewer Fund	Combined Totals 2020
ASSETS			
Current assets:			
Cash & cash equivalents	\$ 585,830	\$ 889,459	\$ 1,475,289
Receivables, net	202,503	189,270	391,773
Due from other Governmental Units	17,219	-	17,219
Restricted cash	104,835	-	104,835
Total current assets	<u>910,387</u>	<u>1,078,729</u>	<u>1,989,116</u>
Noncurrent Assets:			
Restricted cash	800,000	-	800,000
Capital assets, depreciable, net	8,757,650	973,490	9,731,140
Capital assets, non-depreciable	209,750	86,250	296,000
Total noncurrent assets	<u>9,767,400</u>	<u>1,059,740</u>	<u>10,827,140</u>
Total assets	<u>\$ 10,677,787</u>	<u>\$ 2,138,469</u>	<u>\$ 12,816,256</u>
DEFERRED OUTFLOWS			
Pension Plan	228,320	228,320	456,640
Other Postemployment Benefits	9,815	9,815	19,630
Total deferred outflows	<u>238,135</u>	<u>238,135</u>	<u>476,270</u>
LIABILITIES			
Current liabilities:			
Accounts payable	58,099	12,070	70,169
Accrued wages and liabilities	23,607	14,847	38,454
Customer deposits	104,835	-	104,835
Compensated absences-current	2,853	2,449	5,302
General obligation bonds payable-current	89,044	-	89,044
Total current liabilities	<u>278,438</u>	<u>29,366</u>	<u>307,804</u>
Noncurrent liabilities:			
Compensated Absences-noncurrent	25,679	22,043	47,722
Net Pension Liability	312,858	312,858	625,716
Net OPEB Liability	44,913	44,913	89,826
Accrued interest	10,476	-	10,476
General obligation bonds payable-noncurrent	1,531,738	-	1,531,738
Total noncurrent liabilities	<u>1,925,664</u>	<u>379,814</u>	<u>2,305,478</u>
Total liabilities	<u>2,204,102</u>	<u>409,180</u>	<u>2,613,282</u>
DEFERRED INFLOWS			
Pension Plan	52,242	52,242	104,484
Oter Postemployment Benefits	5,550	5,550	11,100
Total deferred inflows	<u>57,792</u>	<u>57,792</u>	<u>115,584</u>
NET POSITION			
Net investment in capital assets	7,347,073	1,059,740	8,406,813
Restricted-debt reserves	800,000	-	800,000
Unrestricted	506,955	849,892	1,356,847
Total net position	<u>\$ 8,654,028</u>	<u>\$ 1,909,632</u>	<u>\$ 10,563,660</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, 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Combined Totals 2020</u>
OPERATING REVENUES			
Charges for services	\$ 1,466,587	\$ 1,402,415	\$ 2,869,002
Connection charges	50,729	3,250	53,979
Miscellaneous	<u>86,601</u>	<u>27,760</u>	<u>114,361</u>
Total operating revenues	<u>1,603,917</u>	<u>1,433,425</u>	<u>3,037,342</u>
OPERATING EXPENSES			
Personnel services	567,255	346,126	913,381
Fringe benefits	341,768	216,290	558,058
Contractual services	22,630	20,743	43,373
Utilities and Telephone	66,205	11,149	77,354
Materials and Supplies	156,401	36,601	193,002
Other charges	66,380	635,472	701,852
Depreciation	<u>381,360</u>	<u>130,732</u>	<u>512,092</u>
Total operating expenses	<u>1,601,999</u>	<u>1,397,113</u>	<u>2,999,112</u>
Operating income (loss)	<u>1,918</u>	<u>36,312</u>	<u>38,230</u>
NONOPERATING REVENUES (EXPENSES)			
Miscellaneous Income	-	-	-
Interest Income/(Expense)	(21,624)	-	(21,624)
Gain (Loss) on Sale of Assets	<u>(304)</u>	<u>(27)</u>	<u>(331)</u>
Total nonoperating revenue (expenses)	<u>(21,928)</u>	<u>(27)</u>	<u>(21,955)</u>
Income (loss) before contributions and transfers	(20,010)	36,285	16,275
Operating Transfer In/(Out)	15,123	14,381	29,504
Contribution from Other Governmental Units	<u>32,420</u>	<u>5,400</u>	<u>37,820</u>
Change in net position	27,533	56,066	83,599
Total net position, beginning, as restated	<u>8,626,495</u>	<u>1,853,566</u>	<u>10,480,061</u>
Total net position, ending	<u>\$ 8,654,028</u>	<u>\$ 1,909,632</u>	<u>\$ 10,563,660</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 FISCAL YEAR ENDED JUNE 30, 2020

	Water Fund	Sewer Fund	Combined Total 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,495,376	\$ 1,391,046	\$ 2,886,422
Cash payments to suppliers	(295,572)	(698,449)	(994,021)
Cash payments to employees	(859,534)	(506,726)	(1,366,260)
Other operating revenues	86,601	27,760	114,361
Net cash provided (used) by operating activities	<u>426,871</u>	<u>213,631</u>	<u>640,502</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Penalties and interest charges	-	-	-
Increase (decrease) in customer deposits	3,195	-	3,195
Net cash provided (used) by noncapital financing activities	<u>3,195</u>	<u>-</u>	<u>3,195</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(170,532)	(50,464)	(220,996)
Loan proceeds	927	-	927
Principal paid on revenue bond	(86,067)	-	(86,067)
Interest paid on revenue bonds	(39,814)	-	(39,814)
Interfund transfer	15,123	14,381	29,504
Sale of Equipment	(304)	(27)	(331)
Contributions and Grants	32,420	5,400	37,820
Net cash provided (used) by capital and related financing activities	<u>(248,247)</u>	<u>(30,710)</u>	<u>(278,957)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	17,522	-	17,522
Net cash provided (used) by investing activities	<u>17,522</u>	<u>-</u>	<u>17,522</u>
Net increase (decrease) in cash and cash equivalents	199,341	182,921	382,262
Cash balances, beginning	1,291,324	706,538	1,997,862
Cash balances, ending	<u>\$ 1,490,665</u>	<u>\$ 889,459</u>	<u>\$ 2,380,124</u>

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 FISCAL YEAR ENDED JUNE 30, 2020**

**EXHIBIT 8
 Page 2**

	Water Fund	Sewer Fund	Total
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 1,918	\$ 36,312	\$ 38,230
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	381,360	130,732	512,092
Change in Assets & Liabilities:			
(Increase) decrease in accounts receivable	(21,940)	(14,619)	(36,559)
Increase (Decrease) in accounts payable	16,044	5,516	21,560
Increase (Decrease) in accrued wages & liabilities	(71)	1,455	1,384
Increase (Decrease) in accrued vacation	(80)	4,595	4,515
Increase (Decrease) in net pension liability	171,841	171,841	343,682
Increase (Decrease) in net OPEB liability	1,413	1,413	2,826
Increase (Decrease) in pension plan deferrals	(119,914)	(119,914)	(239,828)
Increase (Decrease) in OPEB deferrals	(3,700)	(3,700)	(7,400)
Total adjustments	424,953	177,319	602,272
Net cash provided by operating activities	\$ 426,871	\$ 213,631	\$ 640,502

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, 2020

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, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government reports the following major governmental funds:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020

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 \$120,444 at June 30, 2020, and is composed of the following:

	<u>Amount</u>
<u>General Fund:</u>	
Property Tax Receivable	\$ 10,218
Garbage Receivable	10,968
<u>Water Fund:</u>	
Accounts Receivable	43,835
<u>Sewer Fund:</u>	
Accounts Receivable	55,423
TOTAL	<u>\$120,444</u>

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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	\$ 22,340	
Wise County Clerk of Court	499	
Coal Road Improvement	<u>55,975</u>	
Total Treasurer of Wise County		\$ <u>78,814</u>
 <u>Commonwealth of Virginia:</u>		
Miscellaneous Taxes	<u>65,044</u>	
Total Commonwealth of Virginia		<u>65,044</u>
 <u>Federal Agencies:</u>		
Environmental Protection Agency	<u>17,219</u>	
Total Federal Agencies		<u>17,219</u>
 TOTAL DUE		 <u>\$ 161,077</u>

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 \$952,543 as of June 30, 2020 which is comprised of \$913,282 for pensions and \$39,261 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 \$248,229 as of June 30, 2020. \$17,053 of that amount includes uncollected tax billings not available for funding of current expenditures, \$208,975 represents the amounts that will be recognized in future periods for pensions, and \$22,201 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	2,954,495	4,818	-	2,959,313
Infrastructure	9,529,711	1,084,780	-	10,614,491
Equipment	3,079,662	222,131	152,000	3,149,793
TOTAL	17,555,760	1,311,729	152,000	18,715,489
Less: Accumulated Depreciation				(8,845,107)
NET				\$ 9,870,382

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

General government	\$ 8,346
Public Safety	74,352
Public Works	447,372
Parks, Recreation and Cultural	88,489
Community Development	80,996
Total depreciation expense	<u>\$ 699,555</u>

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7: PROPRIETARY CAPITAL ASSETS

A summary of proprietary fund property, plant and equipment at June 30, 2020 follows:

	Water	Sewer
Land	\$ 209,750	\$ 86,250
Buildings	208,522	80,736
Improvements other than Buildings	12,539,718	4,808,535
Equipment	1,170,883	467,978
TOTAL	14,128,873	5,443,499
Less: Accumulated Depreciation	(5,162,763)	(4,385,048)
NET	\$ 8,966,110	\$ 1,058,451

NOTE 8: LONG-TERM DEBT

Details of Long-Term Indebtedness:

	<u>AMOUNT OUTSTANDING</u>
GOVERNMENTAL FUND:	
Total Compensated Absences	\$ 85,721
Total Governmental Long-term Obligation Debt	<u>\$ 85,721</u>
ENTERPRISE FUND:	
General Obligation Bonds:	
A \$1,204,200 General Obligation Refunding Bond was issued August 4, 2016 through Powell Valley National Bank at a rate of 2.25% per year. Semi-annual installments of combined principal and interest in the amount averaging \$47,500 shall be payable beginning on February 1, 2017.	\$ 958,100
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.	661,755
A \$104,700 General Obligation Water Bond was issued December 13, 2019, through Virginia Resources Authority at a rate of 2.50% per year. Semi-annual installments of combined principal and interest shall be payable on January 1 and July 1. Maturity date is July 1, 2050.	<u>927</u>
Total General Obligation Bonds	1,620,782
Total Compensated Absences	<u>53,024</u>
Total Enterprise Long-term obligation Debt	<u>\$ 1,673,806</u>

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8: LONG-TERM DEBT (continued)

Changes in Long-Term Debt:

The following is a summary of long-term debt transactions of the Town for the Year ended June 30, 2020:

Primary Government	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Due Within One Year
<u>Governmental Activities:</u>					
N/A	\$ -	\$ -	\$ -	\$ -	\$ -
Total Governmental Activities	-	-	-	-	-
<u>Business-Type Activities:</u>					
General Obligation Refunding-Series 2016	1,030,300	-	72,200	958,100	73,900
General Obligation Bond-Series 2011B	675,622	-	13,867	661,755	14,217
General Obligation Bond-Series 2019	-	927	-	927	927
Total Business-Type Activities	1,705,922	927	86,067	1,620,782	89,044
Total Primary Government	\$ 1,705,922	\$ 927	\$ 86,067	\$ 1,620,782	\$ 89,044

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8: LONG-TERM DEBT (continued)

Bonds and Notes Payable			
Year Ended	Principal	Interest	Total
June 30,			
2021	\$ 89,044	\$ 37,550	\$ 126,595
2022	90,177	35,495	\$ 125,672
2023	92,245	33,416	\$ 125,662
2024	94,323	31,289	\$ 125,612
2025	96,511	29,114	\$ 125,625
2026-2030	516,819	111,145	\$ 627,964
2031-2035	235,386	60,163	\$ 295,549
2036-2040	108,753	44,247	\$ 153,000
2041-2045	123,217	29,783	\$ 153,000
2046-2050	139,605	13,395	\$ 153,000
2051-2055	34,702	540	\$ 35,242
TOTALS	\$ 1,620,782	\$ 426,137	\$ 2,046,919

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:

**TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Town of Wise, Virginia employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

		<p>employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required, except as governed by law.</p>
<p>Calculating the Benefit The Basic Benefit is determined using the average final compensation, service credit and plan multiplier.</p> <p>An early retirement reduction factor is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>	<p>Calculating the Benefit See definition under Plan 1</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

**TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

<p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into 	<p><u>Eligibility:</u> Same as Plan 1</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p><u>Eligibility:</u> Same as Plan 1 and Plan 2</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2</p>
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TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

<p>effect on July 1 following one full calendar year (January 1 to December 31) from the date the nthly benefit begins.</p>		
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions (Including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <p><u>Defined Contribution Component:</u> Not applicable</p>

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9: PENSION PLAN (continued)

Employees Covered by Benefit Terms – As of June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	29
Inactive Members:	
Vested Inactive Members	5
Non-vested Inactive Members	5
Active Elsewhere in VRS	<u>15</u>
Total Inactive Members	25
Active Members	<u>50</u>
Total Covered Employees	<u>104</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, 2020 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 \$162,457 and \$164,332 for the years ended June 30, 2020 and June 30, 2019, respectively.

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. For the Town of Wise, the net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2018, 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, 2019.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9: PENSION PLAN (continued)

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty

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

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

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

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits– The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town of Wise Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9: PENSION PLAN (continued)

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9: PENSION PLAN (continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Hazardous Duty

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

All Others (Non 10 Largest) – Hazardous Duty

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

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9: PENSION PLAN (continued)

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS	6.00%	3.52%	0.21%
PIP	3.00%	6.29%	.19%
Total	<u>100.00%</u>		<u>5.13%</u>
	Inflation		<u>2.50%</u>
	*Expected Arithmetic Nominal Return		<u>7.63%</u>

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate – The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2019 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, 2020

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, 2018	\$11,384,059	\$10,819,990	\$564,069
Changes for the year:			
Service Cost	226,536		226,536
Interest	781,056		781,056
Changes in benefit terms	0		0
Changes in assumptions	386,070		386,070
Differences between expected and actual experience	272,536		272,536
Contributions – Employer		161,688	(161,688)
Contributions – Employee		105,451	(105,451)
Net Investment Income		719,268	(719,268)
Benefit payments, including refunds of employee contributions	(452,234)	(452,234)	-
Administrative Expenses		(7,122)	7,122
Other Changes	-	(453)	453
Net Changes	<u>1,213,964</u>	<u>526,598</u>	<u>687,366</u>
Balances at June 30, 2019	<u>\$12,598,023</u>	<u>\$11,346,588</u>	<u>\$1,251,435</u>

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

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Town of Wise, Virginia’s Net Pension Liability	\$2,999,773	\$1,251,435	\$(142,974)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended June 30, 2020, the Town recognized pension expense of \$367,536. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9: PENSION PLAN (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 461,032	\$ 106,506
Changes in assumptions	289,793	11,386
Net differences between projected and actual earnings on plan investments	-	91,083
Employer contributions subsequent to the measurement date	162,457	-
Total	\$ 913,282	\$ 208,975

\$162,457 reported as deferred outflows of resources related to pensions resulting from the Town of Wise, VA's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2021	\$ 192,628
2022	162,901
2023	178,403
2024	7,918
2025	-
Thereafter	-
TOTAL	\$ 541,850

Pension Plan Data—Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 201 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at varetire.org/pdf/publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 10: CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

accrued vacation pay totaling \$85,721 in the General Long-Term Obligation Account Group, \$28,532 in the Water Fund, and \$24,492 in the Sewer Fund, with \$8,572; \$2,853; and \$2,449 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, 2020 amounted to \$39,815.

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

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

Purpose

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

Components of Fund Balance

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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NOTE 14: GASB 54 FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS (continued)

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

Committed Fund Balance Policy

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

Assigned Fund Balance Policy

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

Minimum Unassigned Fund Balance Policy

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020 for purposes of measuring the plan's June 30, 2020 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)

Changes in Total OPEB Liability	Increase/(Decrease)
Balance as of June 30, 2019	\$528,210
Changes during Year:	
Service Cost	0
Interest on Total OPEB Liability	0
Effect of Plan Changes	0
Effect of Economic/Demographic Gains or Losses	0
Effect of Assumptions Changes or Inputs	0
Benefit Payments	0
Balance as of June 30, 2020	\$528,210

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, 2020, 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)

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:

Year Ended June 30:	
2021	\$ 444
2022	444
2023	444
2024	444
2025	132
Thereafter	-
TOTAL	\$ 1,908

NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM

Group Life Insurance

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

Plan Description

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

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

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

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

<ul style="list-style-type: none">○ Repatriation benefit○ Felonious assault benefit○ Accelerated death benefit option
Reduction in benefit Amounts 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.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by § 51.1-506 and Section 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% 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, 2020 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. Contributions to the Group Life Insurance Program from the entity were \$11,086 and \$11,260 for the years ended June 30, 2020 and June 30, 2019, 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, 2020, the Town reported a liability of \$179,650 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined

TOWN OF WISE, VIRGINIA
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NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

employer contributions to the Group Life Insurance Program for the year ended June 30, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.001104% as compared to 0.001144% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$2,701. 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, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and Actual experience	\$ 11,948	\$ 2,330
Net difference between projected and Actual earnings on GLI OPEB Program investments	-	3,690
Changes in assumptions	11,342	5,417
Changes in proportion	4,885	10,764
Employer contributions subsequent to the Measurement date	11,086	-
Total	\$ 39,261	\$ 22,201

\$11,086 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, 2021. 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 2021	\$	(815)	
FY 2022		(815)	
FY 2023		748	
FY 2024		3,039	
FY 2025		3,120	
Thereafter		697	
TOTAL	\$	5,947	

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2018, 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, 2019.

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

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

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

**TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table -- RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decreased rate from 7% to 6.75%

Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality rates-- SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality rates- JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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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, 2018 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality rates—Largest Ten Locality Employers-General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

TOWN OF WISE, VIRGINIA
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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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Net OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, 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	\$ 3,390,238
Plan Fiduciary Net Position	<u>1,762,972</u>
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,627,266</u>
Plan Fiduciary Net Position as a Percentage Of the Total GLI OPEB Liability	52.00%

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, 2020

NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS	6.00%	3.52%	0.21%
PIP	3.00%	6.29%	0.19%
Total	100.00%		5.13%
	Inflation		2.50%
		*Expected Arithmetic Nominal Return	7.63%

The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16. GROUP LIFE INSURANCE OPEB PROGRAM (continued)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Town of Wise, Virginia's Share of the Group Life Insurance Program Net OPEB Liability	\$236,011	\$ 179,650	\$ 133,944

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 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at varetire.org/pdf/publications/2019-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, 2020

NOTE 17: OTHER INFORMATION

Prior Period Adjustments

The beginning balance of Net Position for the Town of Wise was adjusted due to a receivable that never transpired, as well as asset transfers. Net Position for Governmental activities increased by \$2,120, the Net Position for the Water Fund decreased by \$39,670, and the Net Position for the Sewer Fund decreased by \$241, for a total decrease in net position of \$37,791 as shown below:

Net Position as of June 30, 2019	\$ 26,735,642
Adjustments for asset transfers	<u>(37,791)</u>
Net Position as of July 1, 2019, as restated	<u>\$ 26,697,851</u>

SCHEDULES OF CAPITAL ASSETS

**TOWN OF WISE, VIRGINIA
SCHEDULE OF CAPITAL ASSETS BY SOURCE
FOR THE YEAR ENDED JUNE 30, 2020**

EXHIBIT 9

	TOTAL
CAPITAL ASSETS	
Land	\$ 2,287,892
Building and Building Improvements	3,248,572
Infrastructure	27,962,744
Equipment	4,788,653
Total Capital Assets	\$ 38,287,861
 INVESTMENT IN CAPITAL ASSETS BY SOURCE	
Enterprise Fund Revenues	\$ 17,954,170
Enterprise Fund Indebtedness	1,620,782
General Fund Revenues	18,712,909
General Fund Indebtedness	-
Total Investment in Capital Assets	\$ 38,287,861

TOWN OF WISE, VIRGINIA
SCHEDULE OF CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2020

EXHIBIT 10

	<u>LAND</u>	<u>BUILDING and BUILDING IMPROVEMENTS</u>	<u>INFRA- STRUCTURE</u>	<u>EQUIPMENT</u>	<u>TOTAL</u>
PRIMARY GOVERNMENT					
Governmental:					
General Government Adm	\$ 1,991,892	\$ 1,810,662	\$ -	\$ 79,701	\$ 3,882,255
Judicial Administration	-	-	-	-	-
Public Safety	-	941,239	-	1,599,117	2,540,356
Public Works	-	200,335	6,706,970	1,341,274	8,248,579
Health and Welfare	-	-	-	-	-
Education	-	-	-	-	-
Parks, Recreation and Cultural	-	7,077	2,045,671	95,510	2,148,258
Community Development	-	-	1,861,850	31,611	1,893,461
Total Governmental	<u>1,991,892</u>	<u>2,959,313</u>	<u>10,614,491</u>	<u>3,147,213</u>	<u>18,712,909</u>
Business-Type:					
Water	209,750	208,522	12,539,718	1,172,173	14,130,163
Sewer	86,250	80,736	4,808,535	469,268	5,444,789
Total Business-Type	<u>296,000</u>	<u>289,258</u>	<u>17,348,253</u>	<u>1,641,441</u>	<u>19,574,952</u>
TOTAL CAPITAL ASSETS BY FUNCTION (excluding depreciation)	<u><u>\$ 2,287,892</u></u>	<u><u>\$ 3,248,571</u></u>	<u><u>\$ 27,962,744</u></u>	<u><u>\$ 4,788,654</u></u>	<u><u>\$ 38,287,861</u></u>

SUPPLEMENTARY SCHEDULES

**TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF REVENUES - BUDGET & ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

**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	\$ 576,500	\$ 576,500	\$ 605,067	\$ 28,567
Real & Personal Public Service				
Corporation Property Taxes	15,000	15,000	17,397	2,397
Personal Property Taxes	125,240	125,240	142,908	17,668
Penalties & Interest	12,000	12,000	13,404	1,404
PROPERTY TAXES	<u>728,740</u>	<u>728,740</u>	<u>778,776</u>	<u>50,036</u>
Other Local Taxes:				
Local Sales and Use Taxes	100,000	100,000	117,743	17,743
Consumer Utility Taxes	72,000	72,000	76,684	4,684
Consumption Tax	11,000	11,000	13,110	2,110
Business License Taxes	352,290	352,290	378,659	26,369
Franchise License Taxes	4,000	4,000	4,465	465
Motor Vehicle Licenses	-	-	-	-
Bank Stock Taxes	165,000	165,000	167,366	2,366
Transient Lodging Taxes	78,000	78,000	97,421	19,421
Coal Road Improvement Taxes	18,000	18,000	28,256	10,256
Cigarette Tax	32,000	32,000	44,290	12,290
Meal Tax	998,000	998,000	1,111,587	113,587
	<u>1,830,290</u>	<u>1,830,290</u>	<u>2,039,581</u>	<u>209,291</u>
Permits, Privilege Fees and Regulatory Licenses:				
Animal License	-	-	-	-
Permits	200	200	550	350
REGULATORY LICENSES	<u>200</u>	<u>200</u>	<u>550</u>	<u>350</u>
Fines & Forfeitures	<u>11,100</u>	<u>11,100</u>	<u>3,391</u>	<u>(7,709)</u>
Revenue From Use of Money and Property:				
Interest and Rent Revenue	<u>77,500</u>	<u>77,500</u>	<u>108,191</u>	<u>30,691</u>
TOTAL REVENUE FROM USE OF MONEY & PROPERTY	<u>77,500</u>	<u>77,500</u>	<u>108,191</u>	<u>30,691</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, 2020**

**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 and Recreation	\$ 36,900	\$ 36,900	\$ 30,403	\$ (6,497)
Charges For Sanitation and Waste Removal	285,200	285,200	284,986	(214)
TOTAL CHARGES FOR SERVICES	322,100	322,100	315,389	(6,711)
Miscellaneous Revenue:				
Sale of Cemetery Plots	1,000	1,000	5,090	4,090
Sale of Property	100	100	27,909	27,809
County of Wise-Payment in Lieu of Taxes	-	-	-	-
Coal Severance Committee Appropriation	50,000	50,000	100,142	50,142
Miscellaneous	90,070	90,070	25,783	(64,287)
TOTAL MISCELLANEOUS REVENUE	141,170	141,170	158,924	17,754
TOTAL REVENUE FROM LOCAL SOURCES	3,111,100	3,111,100	3,404,802	293,702
Revenue From The Commonwealth:				
Non-Categorical Aid:				
Mobile Home Titling Tax	7,500	7,500	8,717	1,217
Rolling Stock Tax	10	10	3	(7)
Car Rental Tax	750	750	2,391	1,641
Financial Assistance To Police Dept.	79,000	79,000	85,612	6,612
PPTRA Tax Relief	55,000	55,000	57,392	2,392
Communications Sales and Use Tax	90,000	90,000	88,927	(1,073)
TOTAL NON-CATEGORICAL AID	232,260	232,260	243,042	10,782
Categorical Aid:				
Other Categorical Aid:				
Street & Highway Maintenance	530,000	530,000	558,602	28,602
Litter Grant	1,750	1,750	1,348	(402)
Fire Programs	10,500	10,500	11,969	1,469
Virginia Commission of Arts	4,500	4,500	4,500	-
Byrnes Justice Grants	2,970	2,970	48,728	45,758
VDOT Enhancement Grant	-	-	-	-
VDEM-HMGP	340,000	340,000	-	(340,000)
VDOT SGR	-	-	-	-
VDOT MAP 21	-	-	-	-
DMV Highway Safety Grant	5,000	5,000	-	(5,000)
TOTAL CATEGORICAL AID	894,720	894,720	625,147	(269,573)
TOTAL REVENUE FROM THE COMMONWEALTH	1,126,980	1,126,980	868,189	(258,791)

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, 2020**

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	1,277,250	1,277,250	-	(1,277,250)
DMV Highway Safety Grant	-	-	-	-
VDOT Transportation Alternatives Grant	1,041,040	1,041,040	425,101	(615,939)
FHA-HSIP-RR Avenue and School	1,264,800	1,264,800	-	(1,264,800)
Selective Enforcement Grant	15,000	15,000	11,853	(3,147)
RD-CF Grant Police Cars and Garbage Truck	-	-	-	-
TOTAL CATEGORICAL AID	<u>3,598,090</u>	<u>3,598,090</u>	<u>436,954</u>	<u>(3,161,136)</u>
TOTAL REVENUE FROM THE FEDERAL GOVT.	<u>3,598,090</u>	<u>3,598,090</u>	<u>436,954</u>	<u>(3,161,136)</u>
Suppl. Approp. From Prior Year Fund Bal.	1,363,710	1,363,710	-	(1,363,710)
TOTAL GENERAL FUND	<u>\$ 9,199,880</u>	<u>\$ 9,199,880</u>	<u>\$ 4,709,945</u>	<u>\$ (4,489,935)</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, 2020**

**SCHEDULE 2
Page 1**

FUND, MAJOR & MINOR EXPENDITURE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Government Administration:				
Legislative:				
Town Council	\$ 49,190	\$ 49,190	\$ 35,255	\$ 13,935
TOTAL LEGISLATIVE	<u>49,190</u>	<u>49,190</u>	<u>35,255</u>	<u>13,935</u>
General & Financial Administration:				
Employee Benefits	92,950	92,950	34,536	58,414
Manager	112,500	112,500	104,630	7,870
Professional Services	62,940	62,940	27,800	35,140
Treasurer	201,850	201,850	163,285	38,565
Risk Management	122,140	122,140	124,166	(2,026)
Data Processing	60,180	60,180	55,937	4,243
TOTAL GENERAL AND FINANCIAL ADMINISTRATION	<u>652,560</u>	<u>652,560</u>	<u>510,354</u>	<u>142,206</u>
TOTAL GENERAL GOVERNMENT ADMINISTRATION	<u>701,750</u>	<u>701,750</u>	<u>545,609</u>	<u>156,141</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Police Department	<u>1,282,535</u>	<u>1,282,535</u>	<u>1,140,709</u>	<u>141,826</u>
TOTAL LAW ENFORCEMENT AND TRAFFIC CONTROL	<u>1,282,535</u>	<u>1,282,535</u>	<u>1,140,709</u>	<u>141,826</u>
Fire & Rescue Services:				
Volunteer Fire Department	71,000	71,000	72,469	(1,469)
Ambulance and Rescue Service	<u>50,000</u>	<u>50,000</u>	<u>20,000</u>	<u>30,000</u>
TOTAL FIRE AND RESCUE SERVICES	<u>121,000</u>	<u>121,000</u>	<u>92,469</u>	<u>28,531</u>
Correction and Detention:				
Court Expense	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
TOTAL COURT EXPENSE	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>

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

TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

SCHEDULE 2
Page 2

FUND, MAJOR & MINOR EXPENDITURE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Public Safety: (continued)				
Animal Control:				
Animal Control	\$ -	\$ -	\$ -	\$ -
TOTAL ANIMAL CONTROL	-	-	-	-
TOTAL PUBLIC SAFETY	1,404,535	1,404,535	1,233,178	171,357
Public Works:				
Maintenance of Highways, Streets, Bridges, and Sidewalks:				
General Administration	40,885	40,885	41,861	(976)
Storm Drainage	1,718,000	1,718,000	37,406	1,680,594
Street Maintenance	3,803,800	3,803,800	1,630,364	2,173,436
Street Lights	70,000	70,000	62,808	7,192
Snow and Ice Removal	91,700	91,700	35,668	56,032
TOTAL MAINTENANCE OF HIGHWAYS, STREETS, BRIDGES, AND SIDEWALKS	5,724,385	5,724,385	1,808,107	3,916,278
Sanitation and Waste Removal:				
General Engineering/Administration:				
Solid Waste Removal	328,480	328,480	253,938	74,542
TOTAL SANITATION AND WASTE REMOVAL	328,480	328,480	253,938	74,542
Maintenance of General Buildings and Grounds:				
General Engineering/Administration:				
General Properties	200,300	200,300	67,136	133,164
TOTAL MAINTENANCE OF GENERAL BUILDINGS AND GROUNDS	200,300	200,300	67,136	133,164
TOTAL PUBLIC WORKS	6,253,165	6,253,165	2,129,181	4,123,984
Health and Welfare:				
Welfare Social Service:				
Property Tax Relief for Elderly	5,000	5,000	5,897	(897)
TOTAL HEALTH AND WELFARE	5,000	5,000	5,897	(897)

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, 2020**

**SCHEDULE 2
Page 3**

FUND, MAJOR & MINOR EXPENDITURE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Parks, Recreation and Cultural:				
Parks and Recreation:				
Parks and Play Grounds	\$ 41,100	\$ 41,100	\$ 47,243	\$ (6,143)
Swimming Pool	125,000	125,000	68,997	56,003
Cemeteries	5,000	5,000	-	5,000
TOTAL PARKS AND RECREATION	<u>171,100</u>	<u>171,100</u>	<u>116,240</u>	<u>54,860</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	9,500	9,500	9,500	-
Planning	54,250	54,250	-	54,250
TOTAL CULTURAL ENRICHMENT	<u>73,750</u>	<u>73,750</u>	<u>19,500</u>	<u>54,250</u>
TOTAL PARKS, RECREATION, AND CULTURAL	<u>244,850</u>	<u>244,850</u>	<u>135,740</u>	<u>109,110</u>
Community Development:				
Planning and Community Development:				
Planning	116,510	116,510	111,404	5,106
Cumberland Airport Commission	3,000	3,000	3,000	-
WBA-Fall Fling	6,000	6,000	6,000	-
Miscellaneous	5,950	5,950	5,219	731
TOTAL COMMUNITY DEVELOPMENT	<u>131,460</u>	<u>131,460</u>	<u>125,623</u>	<u>5,837</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	359,120	359,120	29,005	330,115
Reserve for Contingencies	100,000	100,000	-	100,000
TOTAL GENERAL FUND	<u>\$ 9,199,880</u>	<u>\$ 9,199,880</u>	<u>\$ 4,204,233</u>	<u>\$ 4,995,647</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 USE OF MONEY AND PROPERTY	INTER-GOVERNMENTAL	TOTAL
2020	\$ 778,776	\$ 2,039,581	\$ 3,391	\$ 550	\$ 315,389	\$ 158,924	\$ 108,191	\$ 1,305,143	\$ 4,709,945	
2019	786,881	2,250,187	13,325	375	332,585	93,148	146,058	879,817	4,502,376	
2018	797,412	2,170,923	12,440	825	328,622	120,016	59,010	908,180	4,397,428	
2017	791,340	2,196,980	14,371	1,025	329,840	62,110	39,866	826,380	4,261,912	
2016	808,460	2,182,802	19,889	525	332,696	61,178	39,773	932,629	4,377,952	
2015	659,443	2,042,875	17,340	547	363,970	80,249	27,567	1,273,487	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	

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				
2020	\$ 545,609	\$ 1,233,178	\$ 2,129,181	\$ 135,740	\$ 5,897	\$ 125,623	\$ 29,005	\$ -	\$ -	\$ 4,204,233		
2019	528,045	1,214,371	1,464,594	162,216	-	149,487	137,398	-	-	3,656,111		
2018	535,747	1,153,313	1,465,480	166,617	4,603	144,315	328,243	-	-	3,798,318		
2017	513,477	1,061,477	1,387,571	347,498	11,494	114,089	589,612	-	-	4,025,218		
2016	475,411	1,103,005	1,316,624	171,630	19,182	110,186	-	-	-	3,196,038		
2015	451,939	1,071,881	1,747,530	161,155	2,221	104,539	489,804	-	-	4,029,069		
2014	481,195	1,118,698	1,193,519	120,040	4,939	135,093	320,800	66,745	66,745	3,441,029		
2013	518,891	1,174,226	1,289,243	156,531	5,678	131,408	-	66,745	66,745	3,342,722		
2012	490,230	1,592,775	1,326,770	213,748	9,920	354,995	-	66,745	66,745	4,055,183		
2011	481,126	1,216,251	1,353,447	186,666	6,398	1,447,764	-	66,745	66,745	4,758,397		

**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
2020	\$ 206,086,960	\$ 25,987,271	\$ 3,302,731	\$ 5,768,233	\$ 241,145,195
2019	201,276,333	20,809,365	1,446,031	5,634,083	229,165,812
2018	206,529,160	27,182,190	3,960,311	6,388,188	244,059,849
2017	209,938,260	28,179,654	4,250,151	6,278,177	248,646,242
2016	208,334,290	29,301,732	3,853,631	6,497,010	247,986,663
2015	202,017,551	36,203,962	1,756,226	5,915,448	245,893,188
2014	202,083,590	31,598,169	4,830,910	6,001,305	244,513,974
2013	200,577,948	32,019,501	4,356,590	5,711,257	242,665,296
2012	199,270,789	34,311,994	1,940,981	3,977,500	239,501,264
2011	196,135,891	30,363,988	4,106,290	4,603,246	235,209,415

**PROPERTY TAX RATES
 LAST TEN YEARS**

FISCAL YEARS	REAL ESTATE	PERSONAL PROPERTY	MOBILE HOMES	PUBLIC UTILITY
2020	0.300	0.630	0.630	Various
2019	0.300	0.630	0.630	Various
2018	0.300	0.630	0.630	Various
2017	0.300	0.630	0.630	Various
2016	0.300	0.630	0.630	Various
2015	0.245	0.530	0.530	Various
2014	0.245	0.530	0.530	Various
2013	0.245	0.530	0.245	Various
2012	0.245	0.530	0.245	Various
2011	0.245	0.530	0.245	Various

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

SCHEDULE 6

FISCAL YEAR	TOTAL (1) TAX LEVY	CURRENT TAX (1) COLLECTIONS	PERCENT OF LEVY COLLECTED	DELINQUENT (1) TAX (2) COLLECTIONS	TOTAL TAX COLLECTIONS	PERCENT OF		DELINQUENT TAXES TO TAX LEVY
						TOTAL TAX COLLECTIONS OF TAX LEVY	OUTSTANDING (1) DELINQUENT TAXES	
2020	\$ 797,505	\$ 750,610	94.12%	\$ 14,763	765,373	95.97%	\$ 53,312	6.68%
2019	762,024	747,449	98.09%	17,004	764,453	100.32%	39,730	5.21%
2018	787,664	734,967	93.31%	20,520	755,487	95.91%	51,775	6.57%
2017	793,050	764,051	96.34%	23,724	787,775	99.33%	43,254	5.45%
2016	785,626	752,350	95.76%	33,246	785,596	100.00%	42,974	5.47%
2015	696,132	610,699	87.73%	35,436	646,135	92.82%	23,526	3.38%
2014	681,582	601,143	88.20%	13,389	614,532	90.16%	39,594	5.81%
2013	612,258	604,307	98.70%	13,936	618,243	100.98%	43,702	7.14%
2012	664,052	600,317	90.40%	21,834	622,151	93.69%	44,850	6.75%
2011	658,603	576,569	87.54%	20,140	596,709	90.60%	44,189	6.71%

Notes:

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

SCHEDULE 7

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

FISCAL YEAR	POPULATION (1)	ASSESSED VALUE (IN THOUSANDS)	GROSS BONDED DEBT (2)	DEBT SERVICE MONIES AVAILABLE	LESS:		NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
					DEBT PAYABLE FROM ENTERPRISE REVENUES	DEBT FROM ENTERPRISE REVENUES			
2020	3,286	\$ 241,145	\$ 1,620,782	-	\$ 1,620,782	-	-	-	\$ -
2019	3,286	229,166	1,705,922	-	1,705,922	-	-	-	-
2018	3,286	244,060	1,790,524	-	1,790,524	-	-	-	-
2017	3,286	248,646	1,981,992	-	1,981,992	-	-	-	-
2016	3,286	247,987	3,555,012	-	3,555,012	-	-	-	-
2015	3,286	245,893	2,954,345	-	2,954,345	-	-	-	-
2014	3,286	244,514	2,992,243	-	2,992,243	-	-	-	-
2013	3,286	242,665	3,083,616	-	3,018,828	64,788	0.0003	19.72	
2012	3,286	239,501	2,278,457	-	2,150,963	127,494	0.0005	38.80	
2011	3,255	235,209	204,547	-	16,273	188,274	0.0008	57.84	

Notes:

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

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	
2020	7,789,174	(6,697,229)	1,091,945	86,067	39,815	867%
2019	7,635,388	(6,325,229)	1,310,159	118,141	41,980	818%
2018	7,457,800	(6,765,545)	692,255	191,946	43,807	294%
2017	7,214,728	(6,198,311)	1,016,417	2,916,008	57,335	34%
2016	7,762,873	(6,123,160)	1,639,713	39,320	112,617	1079%
2015	7,309,762	(6,171,658)	1,138,104	37,899	113,589	751%
2014	6,976,919	(6,227,676)	749,243	91,373	196,383	260%
2013	7,006,190	(6,189,116)	817,074	67,877	24,494	885%
2012	6,436,574	(6,194,388)	242,186	77,052	6,223	291%
2011			-			#DIV/0!

**TOWN OF WISE, VIRGINIA
SCHEDULE OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED JUNE 30, 2020**

SCHEDULE 9

Legal Debt Limit	
10% of Assessed Value Of Taxable Real Estate (Including Public Utility Real Estate) (\$206,086,960 x .10)	\$ 20,608,696
Deduct	
Bonds Payable	<u>(1,620,782)</u>
Legal Margin For Creation Of Additional Debt	<u>\$ 18,987,914</u>

TOWN OF WISE, VIRGINIA
SCHEDULE OF FUND BALANCES - GASB 54
JUNE 30, 2020

SCHEDULE 10

Governmental Fund Balances:

Nonspendable:

Cemetery Saving	\$ 437,354
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Restricted for:

Asset forfeiture	13,426
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Unassigned:

<u>7,859,295</u>

Governmental Fund Balance June 30, 2020

<u><u>\$8,310,075</u></u>

TOWN OF WISE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
RETIREMENT PLAN
JUNE 30, 2020

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

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

TOWN OF WISE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
RETIREMENT PLAN
JUNE 30, 2020

Schedule of Employer Contributions
For the Years Ended June 30, 2011 through 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2020	162,457	162,457	0	2,131,981	7.62%
2019	162,496	164,322	0	2,156,454	7.62%
2018	162,496	162,496	0	2,175,316	7.47%
2017	151,974	151,974	0	2,034,450	7.47%
2016	193,770	193,770	0	2,034,452	9.3%
2015	192,679	192,679	0	2,071,817	9.3%
2014	184,912	184,912	0	2,071,642	8.6%
2013	179,791	179,791	0	2,090,590	8.6%
2012	75,717	75,717	0	1,947,445	3.84%
2011	74,370	74,370	0	1,886,959	3.84%

TOWN OF WISE, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
VRS RETIREMENT PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty

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

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

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

Largest 10 – Hazardous Duty

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

TOWN OF WISE, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
VRS RETIREMENT PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

All Others (Non 10 Largest) – Hazardous Duty

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

TOWN OF WISE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
GROUP LIFE INSURANCE PROGRAM
JUNE 30, 2020

**Schedule of Town of Wise, Virginia's Share of
Net OPEB Liability
Group Life Insurance Program
For the Year Ended June 30, 2020**

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

Schedule is intended to show information for 10 years. Since 2019 is the third year for this presentation, there are only three years available. However, additional years will be included as they become available.

For Reference Only: The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 127 of the VRS 2019 Comprehensive Annual Financial Report (CAFR).

TOWN OF WISE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
GROUP LIFE INSURANCE PROGRAM
JUNE 30, 2020

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	11,258	11,258	0	2,156,454	0.52%
2018	11,312	11,312	0	2,175,316	0.52%
2017	10,579	10,579	0	2,034,450	0.52%

Schedule is intended to show information for 10 years. Since 2019 is the third 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 FISCAL YEAR ENDED JUNE 30, 2020

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

General State Employees

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

Teachers

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

SPORS Employees

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

TOWN OF WISE, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
GROUP LIFE INSURANCE PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

VaLORS Employees

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

JRS Employees

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

Largest Ten Locality Employers-General Employees

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

TOWN OF WISE, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
GROUP LIFE INSURANCE PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Non-Largest Ten Locality Employers-General Employees

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

Largest Ten Locality Employers—Hazardous Duty Employees

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

Non-Largest Ten Locality Employers—Hazardous Duty Employees

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

COMPLIANCE

LARRY D. STURGILL, P. C.

LARRY D. STURGILL

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

CERTIFIED PUBLIC ACCOUNTANT

MEMBER
VIRGINIA & TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 2080 WISE, VIRGINIA 24293-2080

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

email: lsturgill@larrydsturgillcpa.com

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and with the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Wise, Virginia, as of and for the year ended June 30, 2020, 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 10, 2020.

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
Page 2

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

Compliance and Other Matters

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

Purpose of this Report

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



Larry D. Sturgill, P.C.
Wise, VA
November 10, 2020

**Town of Wise, Virginia
P. O. Box 1100
Wise, Virginia 24293
(276) 328-6013
www.townofwise.net**