

AUDIT REPORT

JUNE 30, 2017

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JUNE 30, 2017**

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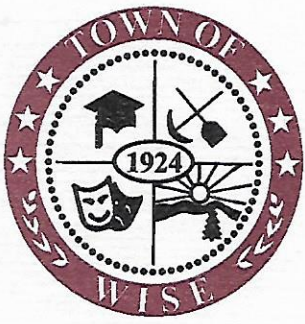
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INTRODUCTORY SECTION



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PROFILE OF THE TOWN

The Town of Wise is located in Southwest Virginia within the territorial boundaries of Wise County, approximately 50 miles northwest of Bristol, Virginia. The Town lies 2,450 feet above sea level and is the highest point of population in Wise County. Indian Mountain rises to the north and Guest Mountain immediately to the south of town. The mountains provide a quiet escape and the opportunity to enjoy amazing scenery and outdoor adventures.

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

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

LOCAL ECONOMY

The Town of Wise is proud to be the home of the University of Virginia's College at Wise. This public, four-year residential college attracts students from throughout the Southeast as well as from foreign countries. *U.S. News and World Report* has named this college as one of the top ten public liberal arts colleges in the nation. The College offers Virginia's only undergraduate degree program in software engineering as well as 30 majors, 32 minors, seven pre-professional programs and 24 teaching licensures. In addition to a wide range of bachelor's degree programs like the hugely successful Bachelor of Science in Nursing, UVa-Wise also offers a number of highly-regarded pre-professional programs in the fields of dentistry, engineering, law, medicine, physical therapy, and veterinary medicine. UVa-Wise has been selected for inclusion in "*Colleges of Distinction*," which recognizes institutions for engaged students, great teaching, vibrant communities and successful outcomes.

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 is also in the process of developing a cyber-technology business accelerator. UVa-Wise played an important role in the recruitment of a customer-support center for TurboTax and Quickbooks and a \$72M data center providing business continuity and disaster recovery services for major corporate and governmental clients.

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 also has a strong presence with a number of regional shopping centers as well as chain and independent restaurants providing another important source of employment. Call centers also provide works for a number of local residents. For example, Crutchfield Corporation, the nation's leading catalog and internet retailer of audio and video components employs over one hundred highly skilled people to respond to sales, technical support, and service calls. In addition, Sykes Enterprises, Inc., a global in-bound customer technical support center provides support for hardware and software products from various companies and also employs hundreds of area residents. The Town has benefitted from the diversity of these sectors for contributions to total employment.

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

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

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

Southwest Virginia suffers from a sluggish economy due in large part to the decline of the coal mining industry. Thousands of jobs have been lost. Other challenges include a shrinking and aging population. A Growth and Diversification Plan prepared by the GO VA Regional One Council sets forth strategic goals to build a vibrant robust local economy. Key elements include investment in workforce education, cultivation of entrepreneurs, leveraging of broadband infrastructure and university programs to attract information technology jobs, recruitment of advanced manufacturing, renewed focus on green and renewable energy sectors (pumped storage hydroelectricity, wind, solar), promotion of agriculture and aquaculture as viable sectors, and support of new and emerging industries (ie, unmanned aerial systems, etc.). We are hopeful that a renewed and diversified economy will emerge over the long term.

BUDGETARY CONTROLS

The annual budget serves as the foundation of the Town's financial planning and control. In addition to internal accounting controls, the Town also maintains budgetary controls to ensure compliance with provisions embodied in the annual appropriated budget approved by Town Council. The governing body adopts an annual budget for the General Fund by July 1 of each year, after advertising and public hearing and as required by §15.2—2503 of the Code of Virginia, as amended. A budget for the proprietary fund is not required under the Code of Virginia, but a budget for this fund is prepared and tracked by the Town. The budget appropriation resolution adopted by Town Council places legal restrictions on expenditures at the departmental level. Budget transfers between departments and 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 2017

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 28, 2016, the Wise Town Council adopted a General Fund budget for FY 2017 totaling just over \$7.9 million and representing an increase of 57% from the previous fiscal year. The increase is due, in large part, to budgeting of a \$1.8 million transfer from General Fund savings accounts to retire Water Fund debt which financed capital improvements to the water treatment and water distribution systems.

The Town supports a number of charitable institutions, volunteer, and nonprofit organizations which serve residents. Most notable, during Fiscal Year 2017, just over \$53,000 was provided to support the operation of the Wise Volunteer Fire Department, \$9,000 for the Lonesome Pine Regional Library, \$3,000 for the Cumberlands Airport Commission, \$8,000 for Pro-Art, and \$15,000 for the Wise Rescue Squad. In addition, the Town contributed \$500 to the Wise Senior Citizens group, and provided \$5,000 to assist with Wise Fall Fling festival expenses. The Town also supported the fund-raising activities of the Wise County/City of Norton Chamber of Commerce sponsoring a table at the annual gala.

The region's deep roots in mountain traditions and its strong music heritage are gaining popularity. To build on this cultural resource, the Town continued its financial support of the Southwest Virginia Cultural Heritage Foundation with a \$1,000 contribution. The Foundation is a platform to encourage economic development through cultural heritage ventures, tourism initiatives, and other asset-based enterprises throughout the 19 counties of Southwest Virginia. Under this umbrella are the familiar Crooked Road musical heritage trail, "Round the Mountain" artisans' network, 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 third year running, in April of 2017, the Wise Water Treatment Plant received a Gold Excellence in Waterworks Operations Award from the Virginia Department of Health. This award commends waterworks that exceed requirements of the Health Department and the United States Environmental Protection Agency (EPA). In addition to providing outstanding drinking water, in order to be considered for a Gold Excellence Award, the treatment plant must represent one of the most effectively operated systems in the State. This award recognizes the extraordinary achievement and excellence of the treatment plant staff, the distribution system personnel, and the billing and collections department. Management and the governing body were also recognized for their good stewardship of the utility system. The Town of Wise is very pleased to be recognized for its efforts to provide customers with the highest quality drinking water possible. To achieve this top ranking is a significant accomplishment for the management and staff of the Wise Water Treatment Plant. The Wise Water Treatment Plant was also awarded a Water Fluoridation Quality Award from the US Centers for Disease Control and Prevention. Constructed in 1964, the Wise Water Treatment Plant serves approximately 2760 water connections and approximately 7,450 people. The water system consists of over 50 miles of water line, a 1.5 million-gallon-per-day surface water treatment plant, 3 pump stations, and 8 water storage tanks.

Financial

The Treasurer's office remains vigilant in the collection of delinquent taxes and fees. Tools utilized include participation in the Virginia Department of Taxation's Debt Set-Off Program, the Virginia Department of Motor Vehicle Registration Withholding Program, bank and wage liens, skip tracing, and the issuance of warrants-in-debt. As a result, this fiscal year, the Treasurer's office collected 99.33 percent of the current tax levy.

Cash Management

Cash temporarily idle during the year was invested in time deposits and various authorized money market instruments. The town's investment activities are designed to allow the Town to obtain a higher yield on available funds consistent with constraints imposed by safety objectives, cash flow considerations, and state laws restricting the placement of funds. The amount of interest earned for FY 17 was \$49,645. This is a small increase from interest earned on temporary investments in FY 16 which totaled \$40,096. Drawdowns of funds banked for planned capital projects limit the amount of money available for investment and anemic market interest rates have also contributed to low returns.

Reserve Policy

The governing body and its chief financial officers have long recognized the importance of maintaining a prudent level of fund balance to ensure that adequate reserves are available to respond to emergencies, provide cash flow, and provide overall financial stability. The Unassigned General Fund Reserve target is 10% of the budget to provide the Town with sufficient working capital and a margin of safety to address unforeseen, one-time emergency expenditures, or significant and unforeseen declines in revenue in a specific year. Unassigned Fund Balance in the general fund measured 74.78% of the General Fund budget for FY 16-17 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 conducts ongoing employee safety training to help prevent losses. The Town is a member of the Virginia Municipal Liability Pool and the Virginia Municipal Group Self Insurance Association. These programs provide self-insurance coverage for workers' compensation, general liability, automobile liability, property and fire protection, public officials' liability, and law enforcement liability.

Public Safety

The Wise Police Department works to provide professional law enforcement services to the citizens of the Town of Wise. The Department is committed to community policing whereby officers spend time in personal contact with residents and business owners. The Department also provides on-demand crime prevention programs to citizens and organizations, and continues to sponsor the Wise Explorer Post Program. Examples of this work include 209 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 13,000 business security checks were completed providing opportunities for interaction with the police personnel. The Department also manned traffic checkpoints during selective enforcement events.

In carrying out its various law enforcement functions this past year, the police department handled over 48,000 requests for assistance which led to issuance of 668 summons and 94 arrests. Calls included reports of theft, vandalism, assault, juvenile crime, traffic accidents, family violence incidents, property checks (24,124 requests), and disabled motorist assists. In addition, the Department spearheaded a program to educate the public about local ordinances requiring display of house numbers in an effort to increase compliance.

This past year, the Department's 2004 Chevrolet sport utility vehicle was replaced in order to assure a reliable fleet of response vehicles. A 2005 Ford Expedition that caught fire was declared a total loss and was also replaced. The Department also purchased digital radios to replace analog portable and mobile units no longer in compliance with FCC communications system requirements. In addition, body-worn cameras were purchased for each officer. The cameras record and keep record of first-person point of view (POV) video, still images and audio. Police body cameras are proven to increase officer safety and reduce department liability with decreased use of force incidents and reduced false complaints by citizens.

Public Works

Much of the work performed by the Public Works Department involves routine maintenance. Utility crews answered 2,961 service calls during normal business hours and responded to 23 after hours call-outs. The Division installed 44 new water taps, 16 new sewer taps, and replaced 61 meters. Approximately 1,720 feet of new water line and 550 feet of new sewer line was also constructed. This past year, 2,900 feet of sewer line was filmed and tested and 3 new fire hydrants were installed. Personnel also responded to 315 requests for location and marking of underground utilities.

Significant water system improvements completed with in-house staff included replacement of a two-inch water main in T&T Mobile Home Park, replacement of a two-inch water main on Coeburn Mountain and Tacoma Road, replacement of an eight-inch water main on Hix Avenue, and replacement of a two-inch water main on Coeburn Mountain and York Road.

Water losses and associated revenue losses occur in all water utilities. The public works department regularly audits water supplies and implement controls to keep system losses at reasonable levels. As a result of active resource management, the average monthly water loss through pipeline leakage was less than 6% in FY 17 which is well below the industry standard.

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

The Department is also responsible for the maintenance of 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 Street Department overlaid portions of sixteen roads in an effort to repair damage associated with the weather, wear and tear, and utility cuts. Maintenance of coal haul routes during FY 16-17 included the pavement of a section of Hurricane Road. The Town also successfully secured \$9.7M from the Virginia Department of Transportation for funding of a "Smart Scale" project to add an additional travel lane in each direction on Norton Road from Woodland Drive to Cherry Street such that the entire length of Norton Road will be a continuous four lane road. The project is currently under design and construction is expected to begin in 2021.

A four-person sanitation crew collected and transported over 3,300 tons of waste to Wise County's Blackwood Landfill in FY 2017. In addition, 26 dump truck loads of yard waste were collected and chipped. The department purchased a new collection box for the leaf vacuum to assist with removal of this debris.

Several municipal facilities were upgraded during FY17. Three new metal sheds and associated fencing were constructed to replace a deteriorated wood storage building utilized by the Public Works Department. Improvements to the Wise Municipal Building (built on 1995) included replacement of the existing roof, painting of existing wood exterior soffit and associated trim along the roofline, replacement of wood panels and trim above and below all windows with a weatherproof synthetic material at a cost of \$106,000. In addition, plantings at the Gateway Garden were replaced, soil amendments and fertilizer were applied, and weed control fabric was installed. New wiring and stage lighting was also installed at the Big Glades amphitheater. The central business district was enhanced with new Christmas decorations for the holiday season.

Planning and Community Development

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

Despite a challenging economic environment, the Town posted gains in business recruiting. At the beginning of the year, Wise had 241 established businesses and during FY 2017, 22 new businesses elected to locate in the Town. In addition, during FY 17, one permit was issued for the construction of a new residence and one permit was issued for construction of the new Bojangle's Restaurant. A conditional use permit was approved for the conversion of a single-family dwelling into a realtor's office on Hill Street.

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 eleven requests for mowing of property were sent.

Special events continue to be an important part of a marketing strategy to attract investors, tourists, and new residents to Wise. The Big Glades Community Square is an affiliate venue on The Crooked Road, Virginia's Heritage Music Trail. The 2017 event season at Big Glades Community Square kicked off on June 21st with a week-long celebration for "Beachfest" including a party at the swim facility a street dance, and a concert featuring *Frontier* and *Sons of Sailors* and ended with the 39th Annual Wise County Famous Fall Fling in October. During the summer, five separate concerts featuring fourteen bands were staged at the amphitheatre and offered free to the public as a result of partnerships with a variety of businesses and organizations. The fifth annual "Chillin & Grillin in the Glades" event was a big hit and included a KCBS sanctioned State Barbecue Championship competition, cornhole tournament, Miss BarbeCUTIE Pageant, Kids Corner, and concerts by *Big Gun*, *Dressed to Kill*, *Hello October*, *HC Underground*, *The Crooked Road Rejects*, *Quarterbounce*, and *HoodatB*. Another signature event at Big Glades was a showcase of local talent entitled "Living Legends". Various genres of music were represented throughout the concert series including bluegrass, country, golden oldies, beach tunes, and classic rock. In addition, the Town partnered with Sykes Enterprises, Frontier Secure, the UVA-Wise Alumni Association, and the Wise Kiwanis Club to host a free outdoor movie series at Big Glades. This popular family-friendly activity featured five movie nights hosted throughout the summer. True to its original design, Big Glades also hosted a weekly Farmers Market each Thursday afternoon beginning in June and ending in September. New additions to the Farmer's Market included cooking demonstrations and art classes on the premises.

In August Cavalier Pharmacy organized an event at Big Glades in celebration of the end of summer and return to school. More than 900 packages of free school supplies were distributed to participants. In addition a number of organizations provided information about healthy living, eating well, and staying active. Costumed characters mingled with the crowd, and there was a play area with activities for the children. A number of churches, businesses, and organizations partnered with Cavalier Pharmacy to sponsor the hugely successful event.

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

Each October, the Planning Department and Public Works personnel work with the Wise Business Association to prepare for Wise County's Famous Fall Fling. The celebration features traditional mountain music and an arts and crafts festival. Approximately 150 vendors participated and there were two separate music venues with the main stage at Big Glades hosting seventeen performances with live streaming of music for the first time. This year's event included a beauty pageant, Senior Citizens picnic in the park, a photography/art exhibit, 5K run and 1K fitness walk, chili cook-off, and writing, photo, art, and pet contests. Back by popular demand was the community-wide yard sale earlier in the week leading up to the main events on Saturday and Sunday. The Town provides security, traffic control, tent, stage, and food court set-up, garbage collection, and other logistical and support services.

Parks and Recreation

During FY 17, personnel from the Flatwoods Job Corp rehabilitated eight dugouts at Dotson Park. Work included realignment of roof pitches, installation of new shingles, repair of masonry and caulking, and repainting of the dugouts. Town public works crews stabilized erosion taking place at the girls' softball field. Work included installation of a new drain pipe to divert surface water away from the field and significant rebuilding of a portion of the field.

The 2017 pool season began on May 27th and ended on August 20th with just over 9,000 people visiting the facility during that time period. Despite good attendance, fees for services were not sufficient to fund the total cost of daily operation and maintenance.

Construction of the Wise Swim Facility was completed in June of 2003. During FY 17, a major project was initiated to completely rehabilitate this facility. Work included repair of failing sections of the concrete pool shell and resurfacing of the entire inground pool. Coping was repaired and all the deck tile were replaced. In addition, all the buildings, pergolas, and other structures on site were repainted. The total project cost was approximately \$138,000.

During FY 17, the Town worked to establish a partnership with the Virginia Department of Game and Inland Fisheries (VDGIF) whereby the state agency would assume fish stocking responsibilities at the Wise Bear Creek Reservoir effective January 1, 2017. It was estimated that fishing at the reservoir has increased 25% during the first six months of operation.

Auditor of Public Account's Financial Assessment Model (FAM)

In May of 2016, the City of Petersburg acknowledged it was in fiscal crisis and requested technical assistance from the state. In addition to the harmful impacts residents would face if basic health and safety services could not be adequately maintained, there were concerns that the emergency could affect the state's fiscal health and the fiscal well-being of Petersburg's neighbors who count on the city to pay its portion of outstanding debt issued for shared regional projects.

Beginning in January of 2017, the General Assembly developed a Financial Assessment Model (FAM) as an "early warning system" to identify a locality that could not meet its financial obligations. The FAM score ranks a locality's performance by ten ratios and converts the score into percentile rankings. It is based on comparison of all localities' ratio results to each other in a given fiscal year and is one way to measure "fiscal stewardship". A FAM score less than the 16.0 percent has been established by the Auditor of Public Accounts as the cutoff point for follow-up procedures. The APA FAM score for the Town of Wise for FY 2016 was 88.6% and was the third highest score in the entire state.

FACTORS AFFECTING FUTURE FINANCIAL CONDITION

The economic condition and outlook for the Town of Wise continues to be very guarded. The presence of the University of Virginia's College at Wise (UVA-Wise) provides many benefits to the local economy. The combination of approximately 2,000 students and over 500 faculty and staff bring significant potential buying power and tax base to the Town which local merchants can work to capture. The Town continues to coordinate with the College to assure the presence of required infrastructure necessary to facilitate the expansion of campus facilities.

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

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

Current economic trends reflect continuing unemployment rates that exceed historic averages and limited housing activity. These conditions have and will continue to challenge the Town and the region.

Significant action by the Federal government will be required now and for the foreseeable future in order to restore the nation's solvency in view of rising commitments for healthcare, military spending, and debt service. Anticipated reductions in federal spending in Virginia will lead to increased pressures on the Commonwealth's budget. This will likely result in more decreases in current Federal and State aid programs and additional shifting of new costs to localities. At the same time, the current revenue structure imposed on localities by the State provides few means to address these anticipated difficulties. The Town will have to carefully consider actions being taken at the State and Federal level in setting municipal spending priorities for the next fiscal year.

The municipal bond market has traditionally been a refuge from taxes since interest on the bonds is exempt from federal taxation and muni bonds issued within the investor's state typically are free from state and local income taxes. However, if tax reform efforts in Congress eliminate or curtail the municipal bond tax exemption, the cost for financing and borrowing for public infrastructure improvements will be negatively affected.

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

In the face of multiple challenges, maintaining the Town's financial stability and improving fund balance will be a difficult mission. The Town has made significant strides in increasing revenue from water and

sewer operations in order to bring the fund closer to self-sufficiency. However, utilities have to invest in a variety of innovative and expensive technologies and infrastructure to ensure that they are compliant with regulatory standards and requirements. In order to do so, utilities must increasingly rely on customer revenue which raises the problem of affordability. Expensive State mandated upgrades of water and wastewater treatment facilities will require more rate increases and continued efforts to control costs. These mandates and reduced state funding are arguably one of the greatest short-term threats to the financial stability of the Town.

Historically, the governing body has recognized that the quality of service rendered by the Town is directly related to the quality of personnel employed by the Town, and that getting and keeping qualified, dedicated people to provide services to the citizens is a prerequisite to accomplishment of any and all other goals that the governing body and the citizens might have. Costs of wages and benefits to support these human resources are sizeable and expenses associated with retirement and healthcare programs continue to rise at an alarming rate.

Pursuant to GASB 75, unfunded Other Post-Employment Benefits (OPEB) benefits liabilities will become a balance sheet item rather than a note disclosure for FY 18. Some of the new disclosure requirements include:

- Determining the impact of a +/- 1% change in both the discount rate and healthcare cost trend rate assumptions on the net OPEB liability.
- Calculating the annual OPEB expense.
- Updating the balances of deferred inflows and outflows.
- Reconciling the change in the net OPEB liability.

In addition, the entry age normal cost method will now be required to determine liability, rather than the projected unit credit method currently in use by many jurisdictions, including Wise. This change in cost method will result in a significant one-time increase to the size of the OPEB liability. Additional changes in other accounting standards may negatively impact reported financial conditions moving forward. The pace of change at the APA continues to accelerate and changes in accounting standards can be difficult to predict.

The governing body will have to provide policy leadership to strategically reduce expenses while minimizing impact to services if a healthy financial position is to be maintained. In addition, balancing funding for existing programs and the needs for capital improvements with taxpayer affordability will be an extremely difficult exercise. Creating innovative approaches to service delivery and exploring opportunities for partnerships with other organizations will become increasingly important for sound financial planning.

The Town of Wise achieved success in several major areas in FY 17 which included generating positive business growth, increasing Fund Balance, effectively managing debt costs, growing income, and successfully controlling expenses. Over \$1.1M of debt issued for improvements at Bear Creek Reservoir and dam was retired this year and the remaining \$1.2 M was refinanced at a lower interest rate and a shorter term (from 40 years to 15 years) for a total debt service savings of \$1.8M. In addition, \$672,000 in bonds to finance improvements at the Wise Water Treatment Plant was paid off. Moving forward, the Town hopes to leverage new workforce training programs, and growth at the College to build on the momentum developed in FY 17. 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 and growth in the community in the future. For the 2016-2017 Fiscal Year, Town Council approved a General Fund

Operating Budget of \$7.9 million. The Town ended the year with a surplus. However, major expenditure controls were required to generate this income including deferred facility maintenance and delay of equipment replacements. These measures will not be sustainable over the long term and point to the need for strong financial management. This is especially true in light of the impact that significant increases in debt would have on future rate structures and operating budgets.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Beverly Owens". The signature is written in black ink and has a long, sweeping horizontal line extending to the right.

Beverly Owens
Town Manager

MEMBERS OF COUNCIL

Caynor A. Smith, Jr., Mayor

Teresa H. Adkins, Vice-Mayor

Billy Bartlett, Jr.

Jeff Dotson

Cindi Smoot

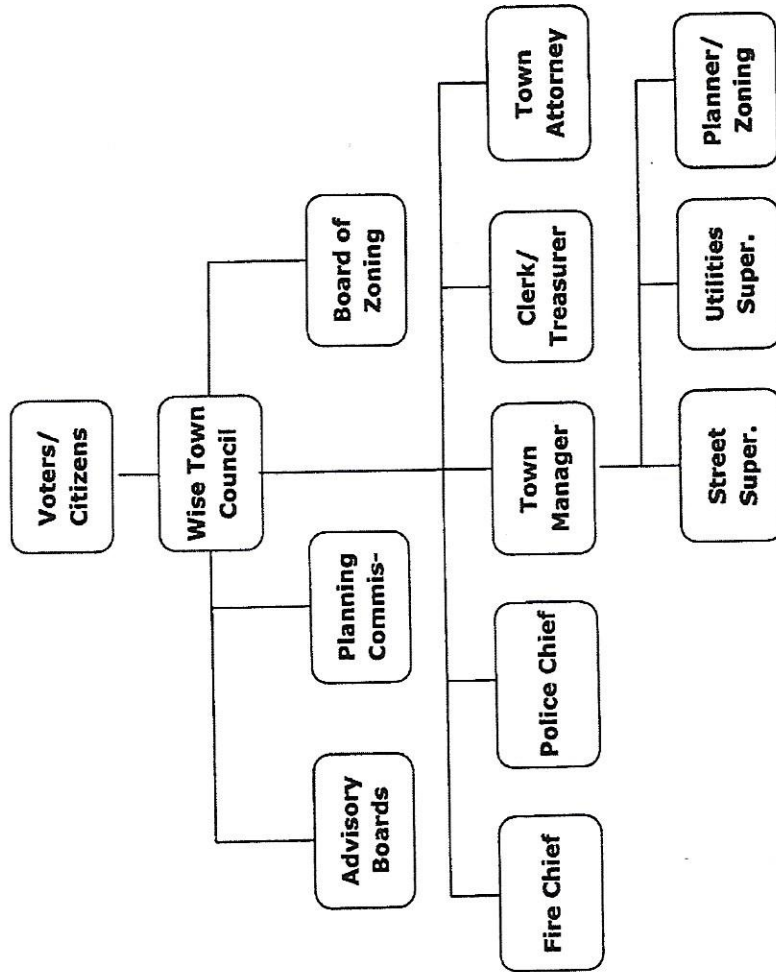
OTHER TOWN OFFICIALS

Beverly Owens, Town Manager

Robin Bryant, Town Treasurer

Danny French, Chief of Police

Town of Wise Organizational Chart



LARRY D. STURGILL, P. C.

LARRY D. STURGILL

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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Town of Wise, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Wise, Virginia, as of June 30, 2017, 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 52-57 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.

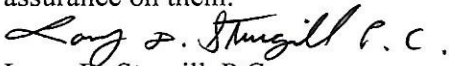
The Honorable Members of Town Council
Town of Wise
Wise, Virginia 24293
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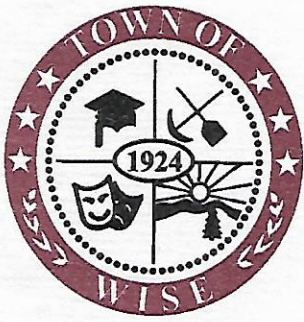
Other Information

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 15, 2017



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

As management of the Town, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017. 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 \$24,915,228 (net position). Of this amount, \$5,747,572 (unrestricted) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$1,016,417 of which the governmental activities increased by \$312,574 and business-type activities increased by \$703,843.
- As of the close of the current fiscal year; the Town's general fund reported an ending fund balance of \$6,325,592, an increase of \$236,694 in comparison with the prior year. \$5,920,250 of this total amount is available for spending at the Town's discretion (unassigned fund balance).
- Unassigned fund balance for the general fund was \$5,920,250, or 158% percent of total general fund expenditures and 171% of total general fund revenues.
- The Town's total debt decreased by \$1,573,020 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 \$24,915,228 at the close of fiscal year 2017.

The largest portion of the Town's net position (\$17,961,859; 72 percent of the total) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide service to citizens: consequently, these assets are *not* available for future spending, as capital assets are generally not sold or otherwise disposed of during their useful life. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-wide Financial Analysis

<u>Town of Wise, Virginia's Net Position</u>	<u>Primary Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
<u>ASSETS AND DEFERRED OUTFLOWS:</u>		
Current and Other Assets	\$ 7,441,705	\$ 7,690,089
Capital Assets, Net	19,943,851	20,334,543
Other Noncurrent Assets	800,000	800,455
Deferred Outflows	<u>774,523</u>	<u>363,872</u>
Total Assets and Deferred Outflows	<u>28,960,079</u>	<u>29,188,959</u>
<u>LIABILITIES AND DEFERRED INFLOWS:</u>		
Current Liabilities	509,332	427,389
Long-Term Liabilities Outstanding	3,134,242	4,313,411
Deferred Inflows	<u>401,277</u>	<u>549,347</u>
Total Liabilities and Deferred Inflows	4,044,851	5,290,147
<u>NET POSITION:</u>		
Net Investment in Capital Assets	17,961,859	16,779,531
Restricted	1,205,797	1,371,735
Unrestricted	<u>5,747,572</u>	<u>5,747,546</u>
Total Net Position	<u>24,915,228</u>	<u>23,898,812</u>
Total Liabilities, Deferred Inflows, And Net Position	<u>\$28,960,079</u>	<u>\$29,188,959</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 \$1,016,417. Key elements of this increase are as follows:

Town of Wise, Virginia’s Change in Net Position		
	<u>Primary Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
REVENUES:		
Program Revenues:		
Charges for Services	\$ 3,268,094	\$ 3,086,767
Grants and Contributions	686,467	1,414,669
General Revenues:		
Property Taxes	850,981	867,187
Other Local Taxes	2,298,847	2,287,231
Other	<u>110,339</u>	<u>107,019</u>
TOTAL REVENUES	<u>\$ 7,214,728</u>	<u>\$ 7,762,873</u>
EXPENSES:		
General Government	\$ 515,916	\$ 509,216
Public Safety	1,003,003	1,024,496
Public Works	1,347,033	1,203,254
Health and Welfare	11,494	19,182
Parks, Recreation and Culture	289,021	229,553
Community Development	191,445	166,517
Interest Expense	0	0
Water and Sewer	<u>2,840,399</u>	<u>2,970,942</u>
TOTAL EXPENSES	<u>\$ 6,198,311</u>	<u>\$ 6,123,160</u>
Increase (Decrease) in Net Position	\$ 1,016,417	\$ 1,639,713
Net Position – June 30, 2016	<u>23,898,812</u>	<u>22,259,099</u>
Net Position – June 30, 2017	<u>\$ 24,915,228</u>	<u>\$ 23,898,812</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 \$6,325,592, an increase of \$236,694 in comparison with the prior year. \$405,342 (7%) 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. Ninety-three percent of this total amount, \$5,920,250 constitutes *unassigned fund balance*. Unassigned fund balances are technically available for any remaining purpose, but are maintained at targeted levels in accordance with sound financial management practices.

The General Fund is the only operating fund (and only governmental fund) of the Town (Exhibit 3). The General Fund's balance increased \$236,694 during fiscal year 2017 to \$6,325,592, of which \$5,920,250 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 2017, the General Fund's assigned and unassigned fund balances of \$6,325,592 represents (167%) of total General Fund revenues of \$4,261,912. In addition, General Fund's unassigned fund balance totaled \$5,920,250 and continues to exceed the 10% minimum set by the Town's fund balance policy. The \$236,694 fiscal year 2017 increase in the General Fund's fund balance resulted from General Fund revenues of \$4,261,912 less expenditures of \$3,435,606 and a transfer of \$589,612 to the water fund, and was primarily the result of expenditure savings as shown on Exhibit 4 to the financial statements.

Proprietary Funds: The Town's proprietary funds financial statements provide the same type of information presented in the business-type activities on the government-wide financial statements, as their basis of accounting is the same, but in more detail. Factors relating to the financial position and results of operation of the Town's Public Utilities System (water 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 \$3,891,662 lower than anticipated, while revenues were \$3,654,968 lower than anticipated, resulting in a favorable difference of \$236,694 (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, 2017 amounts to \$17,961,859, net of related debt and accumulated depreciation. This investment is in land, buildings and improvements, infrastructure, and machinery and equipment. The total decrease in the Town's investment in capital assets, net of depreciation, for all funds in the current fiscal year was \$390,692.

Town of Wise, Virginia's Change in Capital Assets

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Land	\$ 2,287,892	\$ 2,281,892
Buildings and Building Improvements	3,175,288	3,038,804
Infrastructure	25,692,832	25,194,594
Equipment	<u>4,301,715</u>	<u>4,228,831</u>
Total	35,457,727	34,744,121
Less: Accumulated Depreciation	<u>(15,513,876)</u>	<u>(14,409,578)</u>
Net Capital Assets	<u>\$19,943,851</u>	<u>\$ 20,334,543</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 \$1,981,992, in addition to claims, judgments, and compensated absences of \$99,969. Of this amount, \$1,981,992 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 \$1,573,020.

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 2017 unemployment rate for the local area was 7.3% percent, which is a decrease from a rate of 8.3% percent a year ago. This is higher than the state's average unemployment rate of 3.7% percent by 3.6 percent and higher than the national average rate of 4.4% by 2.9 percent.

All of these factors were considered in preparing the Town's budget for the 2017 fiscal year.

Rates

The appropriate tax rates for the 2016-2017 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, 2017

	<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	\$ 5,867,244	\$ 464,028	\$ 6,331,272
Receivables, Net			
Taxes	159,140	-	159,140
Accounts	41,247	307,125	348,372
Other	6,955	-	6,955
Due from Other Governmental Units	46,761	39,428	86,189
Restricted Cash	405,342	104,435	509,777
Total Current Assets	<u>6,526,689</u>	<u>915,016</u>	<u>7,441,705</u>
Noncurrent Assets:			
Restricted Cash	-	800,000	800,000
Capital Assets:			
Land, Non-Depreciable Improvements, and			
Construction in Progress	1,991,892	296,000	2,287,892
Other Capital Assets, Net of Depreciation	7,441,145	10,214,814	17,655,959
Total Noncurrent Assets	<u>9,433,037</u>	<u>10,510,814</u>	<u>19,943,851</u>
Total Assets	<u>15,959,726</u>	<u>12,225,830</u>	<u>28,185,556</u>
DEFERRED OUTFLOWS			
Pension Plan	<u>449,223</u>	<u>325,300</u>	<u>774,523</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	130,269	98,248	228,517
Accrued Liabilities and Wages	49,237	30,341	79,578
Compensated Absences	6,346	3,651	9,997
Customer Deposits	-	104,435	104,435
General Obligation Bonds Payable	-	86,805	86,805
Total Current Liabilities	<u>185,852</u>	<u>323,480</u>	<u>509,332</u>
Noncurrent Liabilities:			
Noncurrent Portion of Compensated Absences	57,114	32,858	89,972
Other Post Employment Benefits	170,328	-	170,328
Net Pension Liability	560,791	406,090	966,881
Accrued Interest	-	11,874	11,874
Noncurrent Portion of Long-term Obligation	-	1,895,187	1,895,187
Total Noncurrent Liabilities	<u>788,233</u>	<u>2,346,009</u>	<u>3,134,242</u>
Total Liabilities	<u>974,085</u>	<u>2,669,489</u>	<u>3,643,574</u>
DEFERRED INFLOWS			
Pension Plan	<u>232,741</u>	<u>168,536</u>	<u>401,277</u>
NET POSITION			
Net Investment in Capital Assets	9,433,037	8,528,822	17,961,859
Restricted-Cemetery Savings	405,342	-	405,342
Restricted-Debt Reserves	-	800,455	800,455
Restricted-Transportation	-	-	-
Unrestricted	5,363,744	383,828	5,747,572
Total Net Position	<u>\$ 15,202,123</u>	<u>\$ 9,713,105</u>	<u>\$ 24,915,228</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, 2017**

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	\$ 515,916	\$ -	\$ -	\$ 27,614	\$ (488,302)	\$ -	\$ (488,302)
Public Safety	1,003,003	-	111,287	3,260	(888,456)	-	(888,456)
Public Works	1,347,033	281,428	1,865	537,441	(526,299)	-	(526,299)
Health and Welfare	11,494	-	-	-	(11,494)	-	(11,494)
Parks, Recreation and Cultural	289,021	48,412	-	-	(240,609)	-	(240,609)
Community Development	191,445	-	5,000	-	(186,445)	-	(186,445)
Interest and Fiscal Charges	-	-	-	-	-	-	-
Total Governmental Activities	<u>3,357,912</u>	<u>329,840</u>	<u>118,152</u>	<u>568,315</u>	<u>(2,341,605)</u>	<u>-</u>	<u>(2,341,605)</u>
Business-Type Activities:							
Water	1,535,098	1,530,984	-	-	-	(4,114)	(4,114)
Sewer	1,305,301	1,407,270	-	-	-	101,969	101,969
Total Business-Type Activities	<u>2,840,399</u>	<u>2,938,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,855</u>	<u>97,855</u>
Total Primary Government	<u>\$ 6,198,311</u>	<u>\$ 3,268,094</u>	<u>\$ 118,152</u>	<u>\$ 568,315</u>	<u>(2,341,605)</u>	<u>97,855</u>	<u>\$ (2,243,750)</u>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					850,981	-	850,981
Utility Taxes					76,328	-	76,328
Mineral Taxes					22,366	-	22,366
Franchise Taxes					5,417	-	5,417
Local Sales and Use Taxes					220,650	-	220,650
Other Local Taxes					1,974,086	-	1,974,086
Investment Income					39,866	9,779	49,645
Operating transfers and adjustments					(595,608)	595,608	-
Gain/(Loss) From Property Disposal					7,280	601	7,881
Other					52,813	-	52,813
Total General Revenues and Transfers					<u>2,654,179</u>	<u>605,988</u>	<u>3,260,167</u>
Change in Net Position					312,574	703,843	1,016,417
Net Position - Beginning					14,889,549	9,009,262	23,898,811
Net Position - Ending					<u>\$ 15,202,123</u>	<u>\$ 9,713,105</u>	<u>\$ 24,915,228</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF WISE, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2017**

	General Fund	Total
ASSETS		
Cash and Cash Equivalents	\$ 5,867,244	\$ 5,867,244
Receivables, Net:		
Taxes	159,140	159,140
Accounts	41,247	41,247
Other	6,955	6,955
Due From Other Governments	46,761	46,761
Restricted Cash	405,342	405,342
Total Assets	6,526,689	6,526,689
LIABILITIES		
Accounts Payable	130,269	130,269
Accrued Payroll and Related Liabilities	49,237	49,237
Total Liabilities	179,506	179,506
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Receivable	21,591	21,591
Total Deferred Inflows of Resources	21,591	21,591
FUND BALANCES		
Nonspendable for Cemetery	405,342	405,342
Restricted for Debt Service	-	-
Restricted for Transportation	-	-
Unassigned Funds	5,920,250	5,920,250
Total Fund Balances	6,325,592	6,325,592
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,526,689	\$ 6,526,689

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

Total Fund Balances \$ 6,325,592

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 \$16,090,716 and the accumulated depreciation is \$6,671,390 9,433,037

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. 238,073

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	\$ (170,328)	
Compensated Absences	(63,460)	
Net Pension Asset	(560,791)	(794,579)

Net Position of Governmental Activities **\$15,202,123**

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

TOWN OF WISE, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

EXHIBIT 4

	General Fund 2017	General Fund 2016
REVENUES		
General Property Taxes	\$ 791,340	\$ 808,460
Other Local Taxes	2,196,980	2,182,802
Permits, Privilege Fees and Regulatory Licenses	1,025	525
Fines and Forfeitures	14,371	19,889
Revenue From the Use of Money and Property	39,866	39,773
Charges for Services	329,840	332,696
Miscellaneous	62,110	61,178
Intergovernmental	<u>826,380</u>	<u>932,629</u>
Total Revenues	<u>4,261,912</u>	<u>4,377,952</u>
EXPENDITURES		
Current:		
General Government Administration	513,477	475,411
Public Safety	1,061,477	1,103,005
Public Works	1,387,571	1,316,624
Health and Welfare	11,494	19,182
Parks, Recreation and Cultural	347,498	171,630
Community Development	114,089	110,186
Debt Service:		
Principal Retirement	-	-
Interest	-	-
Total Expenditures	<u>3,435,606</u>	<u>3,196,038</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>826,306</u>	<u>1,181,914</u>
OTHER FINANCING SOURCES (USES)		
Loan Proceeds	-	-
Operating Transfers	<u>(589,612)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(589,612)</u>	<u>-</u>
Net Change in Fund Balance	236,694	1,181,914
Fund Balance - Beginning	<u>6,088,898</u>	<u>4,906,984</u>
Fund Balance - Ending	<u><u>\$ 6,325,592</u></u>	<u><u>\$ 6,088,898</u></u>

The accompanying notes are an integral part of the financial statements

**TOWN OF WISE, VIRGINIA
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

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 \$ 236,694

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. 13,711

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. 2,249

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. 58,571

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. 1,349

Total Change in Net Position of Governmental Activities \$ 312,574

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

TOWN OF WISE, VIRGINIA
COMBINED STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2017

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Combined Totals 2017</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ -	\$ 464,028	\$ 464,028
Receivables, Net	159,240	147,885	307,125
Due From Other Governmental Units	39,428	-	39,428
Restricted Cash	104,435	-	104,435
Total Current Assets	<u>303,103</u>	<u>611,913</u>	<u>915,016</u>
Noncurrent Assets:			
Restricted Cash	800,000	-	800,000
Capital Assets, Depreciable, Net	9,028,723	1,186,091	10,214,814
Capital Assets, Non-Depreciable	209,750	86,250	296,000
Total Noncurrent Assets	<u>10,038,473</u>	<u>1,272,341</u>	<u>11,310,814</u>
Total Assets	<u>10,341,576</u>	<u>1,884,254</u>	<u>12,225,830</u>
DEFERRED OUTFLOWS			
Pension Plan	<u>185,885</u>	<u>139,415</u>	<u>325,300</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	37,932	60,316	98,248
Accrued Wages and Liabilities	20,266	10,075	30,341
Customer Deposits	104,435	-	104,435
Compensated Absences-Current	2,062	1,589	3,651
General Obligation Bonds Payable-Current	86,805	-	86,805
Total Current Liabilities	<u>251,500</u>	<u>71,980</u>	<u>323,480</u>
Noncurrent Liabilities:			
Compensated Absences-Noncurrent	18,560	14,298	32,858
Net Pension Liability	232,052	174,038	406,090
Accrued Interest	11,874	-	11,874
General Obligation Bonds Payable-Noncurrent	1,895,187	-	1,895,187
Total Noncurrent Liabilities	<u>2,157,673</u>	<u>188,336</u>	<u>2,346,009</u>
Total Liabilities	<u>2,409,173</u>	<u>260,316</u>	<u>2,669,489</u>
DEFERRED INFLOWS			
Pension Plan	<u>96,306</u>	<u>72,230</u>	<u>168,536</u>
NET POSITION			
Net Investment in Capital Assets	7,256,481	1,272,341	8,528,822
Restricted-Debt Reserves	800,455	-	800,455
Unrestricted	(34,954)	418,782	383,828
Total Net Position	<u>\$ 8,021,982</u>	<u>\$ 1,691,123</u>	<u>\$ 9,713,105</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, 2017**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Combined Totals 2017</u>
OPERATING REVENUES			
Charges for Services	\$ 1,371,223	\$ 1,345,787	\$ 2,717,010
Connection Charges	71,210	5,749	76,959
Miscellaneous	88,551	55,734	144,285
Total Operating Revenues	<u>1,530,984</u>	<u>1,407,270</u>	<u>2,938,254</u>
OPERATING EXPENSES			
Personnel Services	552,317	323,562	875,879
Fringe Benefits	247,575	133,225	380,800
Contractual Services	26,073	26,616	52,689
Utilities and Telephone	61,780	8,826	70,606
Materials and Supplies	142,942	44,458	187,400
Other Charges	97,411	645,774	743,185
Depreciation	350,267	122,840	473,107
Total Operating Expenses	<u>1,478,365</u>	<u>1,305,301</u>	<u>2,783,666</u>
Operating Income (Loss)	<u>52,619</u>	<u>101,969</u>	<u>154,588</u>
NONOPERATING REVENUES (EXPENSES)			
Miscellaneous Income	-	-	-
Interest Income/(Expense)	(46,954)	-	(46,954)
Gain (Loss) on Sale of Assets	601	-	601
Total Nonoperating Revenue (Expenses)	<u>(46,353)</u>	<u>-</u>	<u>(46,353)</u>
Income (Loss) Before Contributions and Transfers	6,266	101,969	108,235
Operating Transfer In/(Out)	595,608	-	595,608
Contribution from Other Governmental Units	-	-	-
Change in Net Position	601,874	101,969	703,843
Total Net Position, Beginning	<u>7,420,108</u>	<u>1,589,154</u>	<u>9,009,262</u>
Total Net Position, Ending	<u>\$ 8,021,982</u>	<u>\$ 1,691,123</u>	<u>\$ 9,713,105</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, 2017**

	Water Fund	Sewer Fund	Combined Total 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received From Customers	\$ 1,550,532	\$ 1,363,100	\$ 2,913,632
Cash Payments to Suppliers	(390,911)	(745,790)	(1,136,701)
Cash Payments to Employees	(806,358)	(461,441)	(1,267,799)
Other Operating Revenues	88,551	55,734	144,285
Net Cash Provided (Used) by Operating Activities	441,814	211,603	653,417
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Penalties and Interest Charges	-	-	-
Increase (Decrease) in Customer Deposits	3,225	-	3,225
Net Cash Provided (Used) by Noncapital Financing Activities	3,225	-	3,225
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(63,843)	(4,861)	(68,704)
Loan proceeds	1,342,988	-	1,342,988
Principal Paid on Revenue Bond	(2,916,008)	-	(2,916,008)
Interest Paid on Revenue Bonds	(57,334)	-	(57,334)
Interfund transfer	595,608	-	595,608
Gain/Loss from asset disposal	601	-	601
Contributions and Grants	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,097,988)	(4,861)	(1,102,849)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends on Investments	9,779	-	9,779
Net Cash Provided (Used) by Investing Activities	9,779	-	9,779
Net Increase (Decrease) in Cash and Cash Equivalents	(643,170)	206,742	(436,428)
Cash Balances, Beginning	1,547,605	257,286	1,804,891
Cash Balances, Ending	\$ 904,435	\$ 464,028	\$ 1,368,463

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, 2017**

**EXHIBIT 8
Page 2**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total 2017</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 52,619	\$ 101,969	\$ 154,588
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	350,267	122,840	473,107
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	108,099	11,564	119,663
Increase (Decrease) in Accounts Payable	(30,611)	3,956	(26,655)
Increase (Decrease) in Accrued Wages and Liabilities	4,048	(970)	3,078
Increase (Decrease) in Accrued Vacation	(10,514)	(3,684)	(14,198)
Increase (Decrease) in Net Pension Liability	101,999	76,499	178,498
Increase (Decrease) in Pension Plan Deferrals	(134,093)	(100,571)	(234,664)
Total Adjustments	<u>389,195</u>	<u>109,634</u>	<u>498,829</u>
Net Cash Provided by Operating Activities	<u>\$ 441,814</u>	<u>\$ 211,603</u>	<u>\$ 653,417</u>

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

NOTES TO FINANCIAL STATEMENTS

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government reports the following major governmental funds:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017**

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 \$95,460 at June 30, 2017, and is composed of the following:

	<u>Amount</u>
<u>General Fund:</u>	
Property Tax Receivable	\$12,006
Garbage Receivable	8,545
<u>Water Fund:</u>	
Accounts Receivable	37,405
<u>Sewer Fund:</u>	
Accounts Receivable	37,504
TOTAL	\$ 95,460

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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	\$ 29,658	
Court Fines	2,966	
Coal Road Improvement	<u>5,670</u>	
Total Treasurer of Wise County		\$ <u>38,294</u>
 <u>Commonwealth of Virginia:</u>		
Department of Transportation	6,790	
Environmental Protection Agency	5,442	
Miscellaneous Taxes	<u>8,467</u>	
Total Commonwealth of Virginia		<u>20,699</u>
 <u>Federal Agencies:</u>		
Environmental Protection Agency	<u>33,986</u>	
Total Federal Agencies		<u>33,986</u>
 TOTAL DUE		 \$ <u><u>92,979</u></u>

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 \$774,523 as of June 30, 2017 which is comprised of employer contributions for pension that will be recognized in a future period.

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 \$401,277 as of June 30, 2017. \$21,591 of that amount includes uncollected tax billings not available for funding of current expenditures, and \$379,686 represents the difference between projected and actual earnings on plan investments for pension.

NOTE 6: CHANGES IN GENERAL CAPITAL ASSETS

A summary of changes in general fixed assets follows:

	<u>BEGINNING</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>ENDING</u>
Land, Non-Depreciable	\$ 1,985,892	\$ 6,000	\$ -	\$ 1,991,892
Buildings	2,749,545	136,485	-	2,886,030
Infrastructure	8,325,419	446,888	-	8,772,307
Equipment	3,029,860	115,296	38,840	3,105,316
TOTAL	<u>\$ 16,090,716</u>	<u>\$ 704,669</u>	<u>\$ 38,840</u>	<u>16,755,545</u>
Less: Accumulated Depreciation				(7,322,508)
NET				<u>\$ 9,433,037</u>

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

	<u>AMOUNT</u>
General Government	\$ 4,280
Public Safety	69,705
Public Works	435,056
Parks, Recreation, and Cultural	89,357
Community Development	82,497
Total Depreciation Expense	<u>\$ 680,895</u>

**TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PROPRIETARY CAPITAL ASSETS

A summary of proprietary fund property, plant and equipment at June 30, 2017 follows:

	<u>Water</u>	<u>Sewer</u>
Land	\$ 209,750	\$ 86,250
Buildings	208,523	80,736
Improvements other than Buildings	12,174,361	4,746,163
Equipment	<u>774,926</u>	<u>421,475</u>
TOTAL	13,367,560	5,334,624
Less: Accumulated Depreciation	<u>(4,129,086)</u>	<u>(4,062,283)</u>
NET	<u>\$ 9,238,474</u>	<u>\$ 1,272,341</u>

NOTE 8: LONG-TERM DEBT

Details of Long-Term Indebtedness:

	<u>AMOUNT OUTSTANDING</u>
GOVERNMENTAL FUND:	
Total Compensated Absences	<u>\$ 63,460</u>
Total Governmental Long-term Obligation Debt	<u>\$ 63,460</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. \$ 1,170,000

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. 702,338

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8: LONG-TERM DEBT (continued)

Details of Long-Term Indebtedness:

	<u>AMOUNT OUTSTANDING</u>
ENTERPRISE FUND:	
General Obligation Bonds:	
A \$184,440 General Obligation Water and Sewer Bond was issued September 3, 2015 through Virginia Resources Authority at a rate of 2.25% per year. Semi-annual payments of combined principal and interest in the amount of \$4,294.25 shall be payable beginning on January 1, 2017.	<u>\$ 109,654</u>
Total General Obligation Bonds	1,981,992
Total Compensated Absences	<u>36,508</u>
Total Enterprise Long-term obligation Debt	<u><u>\$ 2,018,500</u></u>

Changes in Long-Term Debt:

The following is a summary of long-term debt transactions of the Town for the Year ended June 30, 2017:

	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Due Within One Year
Primary Government					
<u>Governmental Activities:</u>					
N/A	\$ -	\$ -	\$ -	\$ -	\$ -
Total Governmental Activities	-	-	-	-	-
<u>Business-Type Activities:</u>					
General Obligation Bond-Series 2011A	2,199,820	-	2,199,820	-	-
General Obligation Refunding-Series 2016	-	1,204,200	34,200	1,170,000	69,100
General Obligation Bond-Series 2011B	715,204	-	12,866	702,338	13,191
General Obligation Bond-Series 2015A	529,839	133,211	663,050	-	-
General Obligation Bond-Series 2015B	110,149	5,577	6,072	109,654	4,514
Total Business-Type Activities	3,555,012	1,342,988	2,916,008	1,981,992	86,805
Total Primary Government	\$ 3,555,012	\$ 1,342,988	\$ 2,916,008	\$ 1,981,992	\$ 86,805

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NOTE 8: LONG-TERM DEBT (continued)

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

Bonds and Notes Payable			
Year Ended June 30,	Principal	Interest	Total
2018	\$ 86,805	\$ 47,422	\$ 134,227
2019	88,741	45,423	134,164
2020	90,787	43,379	134,166
2021	92,945	41,288	134,233
2022	95,114	39,147	134,261
2023-2027	509,214	161,852	671,066
2028-2032	522,995	100,438	623,433
2033-2037	130,993	62,008	193,001
2038-2042	114,322	38,678	153,000
2042-2047	129,527	23,473	153,000
2048-2052	120,549	6,495	127,044
TOTALS	\$ 1,981,992	\$ 609,603	\$ 2,591,595

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NOTE 9: PENSION PLAN

Pensions

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

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for 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>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at

TOWN OF WISE, VIRGINIA
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		<p>retirement using a formula.</p> <ul style="list-style-type: none"> • 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</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Town of Wise, Virginia employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

TOWN OF WISE, VIRGINIA
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<p>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>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>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. The Town elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. 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 Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</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>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if</p>	<p>Creditable Service Same as Plan 1</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to</p>

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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<p>the employer offers the health insurance credit.</p>		<p>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, creditable service 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 creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>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 creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined</p>

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NOTES TO FINANCIAL STATEMENTS
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		<p>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 by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement</p>	<p>Service Retirement Multiplier VRS: The same as Plan 1 for service earned, purchased or granted prior to January 1,</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit</p>

**TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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<p>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>2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Not Applicable</p> <p>Political Subdivision hazardous duty employees: Same as Plan 1.</p>	<p>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>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>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political Subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political Subdivisions hazardous duty employees: Same as Plan 1</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political Subdivisions hazardous duty employees: Not Applicable</p>

**TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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<p>with at least 25 years of creditable service.</p> <p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1</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 Members may retire with a reduced benefit is as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not Applicable</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2</p> <p><u>Defined Contribution Component:</u> Not applicable</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2</p>

**TOWN OF WISE, VIRGINIA
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<p>service, 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 under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2</p>
<p>Disability Coverage Members who are eligible to be</p>	<p>Disability Coverage Members who are eligible to be</p>	<p>Disability Coverage Employees of political</p>

TOWN OF WISE, VIRGINIA
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<p>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>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>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>VSDP Members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>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 creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. 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 Defined Benefit Component: Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost. <p>Defined Contribution Component: Not applicable</p>

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9: PENSION PLAN (continued)

Employees Covered by Benefit Terms – As of June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	22
Inactive Members:	
Vested Inactive Members	5
Non-vested Inactive Members	2
Active Elsewhere in VRS	<u>14</u>
Total Inactive Members	21
Active Members	<u>50</u>
Total Covered Employees	93

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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. For the year ended June 30, 2015 the Town paid 0% of the member contribution.

The Town’s contractually required contribution rate for the year ended June 30, 2017 was 7.47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$151,974 and \$193,770 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability – The Town’s net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2015, 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, 2016.

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

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

Mortality rates: 14% of deaths are assumed to be service related.

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – Public Safety Employees – The total pension liability for Public Safety Employees in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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

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

Mortality rates: 60% of deaths are assumed to be service related.

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set Back 2 years years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9: PENSION PLAN (continued)

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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, 2017

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
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Date	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
	Inflation		<u>2.50%</u>
		*Expected Arithmetic Nominal Return	<u>8.33%</u>

*Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rate equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Town’s Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, 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, 2017

NOTE 9: PENSION PLAN (continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) – (b)
Balances at June 30, 2015	\$9,932,136	\$9,390,249	\$541,887
Changes for the year:			
Service Cost	230,075		230,075
Interest	682,748		682,748
Benefit Changes	0		0
Differences between expected and actual experience	(34,038)		(34,038)
Contributions – Employer		192,824	(192,824)
Contributions – Employee		103,463	(103,463)
Net Investment Income		163,417	(163,417)
Benefit payments, including refunds of employee contributions	(357,183)	(357,183)	0
Administrative Expenses		(5,844)	5,844
Other Changes	0	(69)	69
Net Changes	<u>521,602</u>	<u>96,608</u>	<u>424,994</u>
Balances at June 30, 2016	<u>\$10,453,738</u>	<u>\$9,486,857</u>	<u>\$966,881</u>

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

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
Town of Wise, Virginia's Net Pension Liability	\$2,456,085	\$966,881	\$(265,064)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended June 30, 2017, the Town recognized pension expense of \$119,024. At June 30, 2017, 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, 2017

NOTE 9: PENSION PLAN (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 128,536
Changes in assumptions	0	0
Net differences between projected and actual earnings on plan investments	248,085	0
Employer contributions subsequent to the measurement date	151,974	0
Total	\$ 400,059	\$ 128,536

Deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date in the amount of \$151,974 will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2018	\$ (41,270)
2019	(41,269)
2020	108,968
2021	93,120
2022	0
Thereafter	0

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 accrued vacation pay totaling \$63,460 in the General Long-Term Obligation Account Group, \$20,622 in the Water Fund, and \$15,886 in the Sewer Fund, with \$6,346; \$2,062; and \$1,587 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.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017 amounted to \$57,335.

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:

- 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;

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority; for all funds except the general fund, assigned fund balance is the residual fund balance classification;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

Committed Fund Balance Policy

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

Assigned Fund Balance Policy

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

Minimum Unassigned Fund Balance Policy

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

Resource Flow Policy

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

Health benefits include medical, dental, and vision. Retirees may elect the Key Advantage Expanded or Key Advantage 250 medical option. Benefits end at age 65.

A. Health Plan Benefits

Coverage is for the retiree and eligible spouses/dependents. Monthly premiums include 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, retiree contributes 100% of the premium cost for retiree coverage. The retiree must contribute 100% of the premium cost for spouse/dependent coverage at all times.
- Medicare eligible retirees and spouses (Age 65+) – No Coverage.

C. Disability Retirement Benefit

The Plan does not include any disability retirement benefits.

D. Death Benefit

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 15: OTHER POST-EMPLOYMENT BENEFITS (continued)

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.

ANNUAL COST

<u>SCHEDULES OF EMPLOYER CONTRIBUTIONS</u>			
<u>FISCAL YEAR</u> <u>ENDING 6/30</u>	<u>ANNUAL</u> <u>OPEB COST</u>	<u>ACTUAL</u> <u>CONTRIBUTION</u>	<u>PERCENT</u> <u>FUNDED</u>
2017	\$ 32,386	\$ 13,396	41.36%
2016	31,687	6,281	19.82%
2015	30,804	3,871	12.57%
2014	29,379	1,050	3.57%
2013	27,802	6,180	22.23%

The FY 2017 required contribution was determined as part of the January 1, 2015 actuarial valuation using the Projected Unit Credit actuarial cost method. The actuarial assumptions at January 1, 2015 included an investment rate of return of 3.5%, and a projected salary increase of 3.00% per year. The annual required contribution (ARC) was calculated as the normal cost plus the 30-year amortization of any unfunded portion of actuarial accrued liability. The actuarial accrued liability is the portion of the total present value of benefits that is attributable to service up to the date of the valuation. The amount of the actuarial accrued liability in excess of the Plan's assets is the unfunded actuarial accrued liability (UAAL) which is amortized over a period not to exceed 30 years. The Town has selected an open amortization method and an amortization period of 30 years. The amortization amount was determined as a level percent of payroll. The Medical Cost Trend Assumption was based on the Getzen Trend Model – 5.2% graded to 4.50% over 66 years. The Schedule of Funding Progress, and the Calculation of Net OPEB Obligation (NOO) are located in Schedule 9 after the notes to the financial statements.

NOTE 16: NEW ACCOUNTING PRONOUNCEMENT

In June 2015, the GASB approved the issuance of two new Statements that are designed to improve the usefulness of information about OPEB in the general purpose external financial reports of state and local governmental plans for making decisions and assessing accountability:

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 16: NEW ACCOUNTING PRONOUNCEMENT (continued)

- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses financial reporting by plans that administer OPEB benefits on behalf of governments. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and financial reporting by government employers. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

The new OPEB Statements include requirements for defined benefit OPEB plans that replace the requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*.

They also include requirements for defined contribution OPEB plans that replace requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, Statement No. 43, and Statement No. 50, *Pension Disclosures*.



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SCHEDULES OF CAPITAL ASSETS

**TOWN OF WISE, VIRGINIA
SCHEDULE OF CAPITAL ASSETS BY SOURCE
FOR THE YEAR ENDED JUNE 30, 2017**

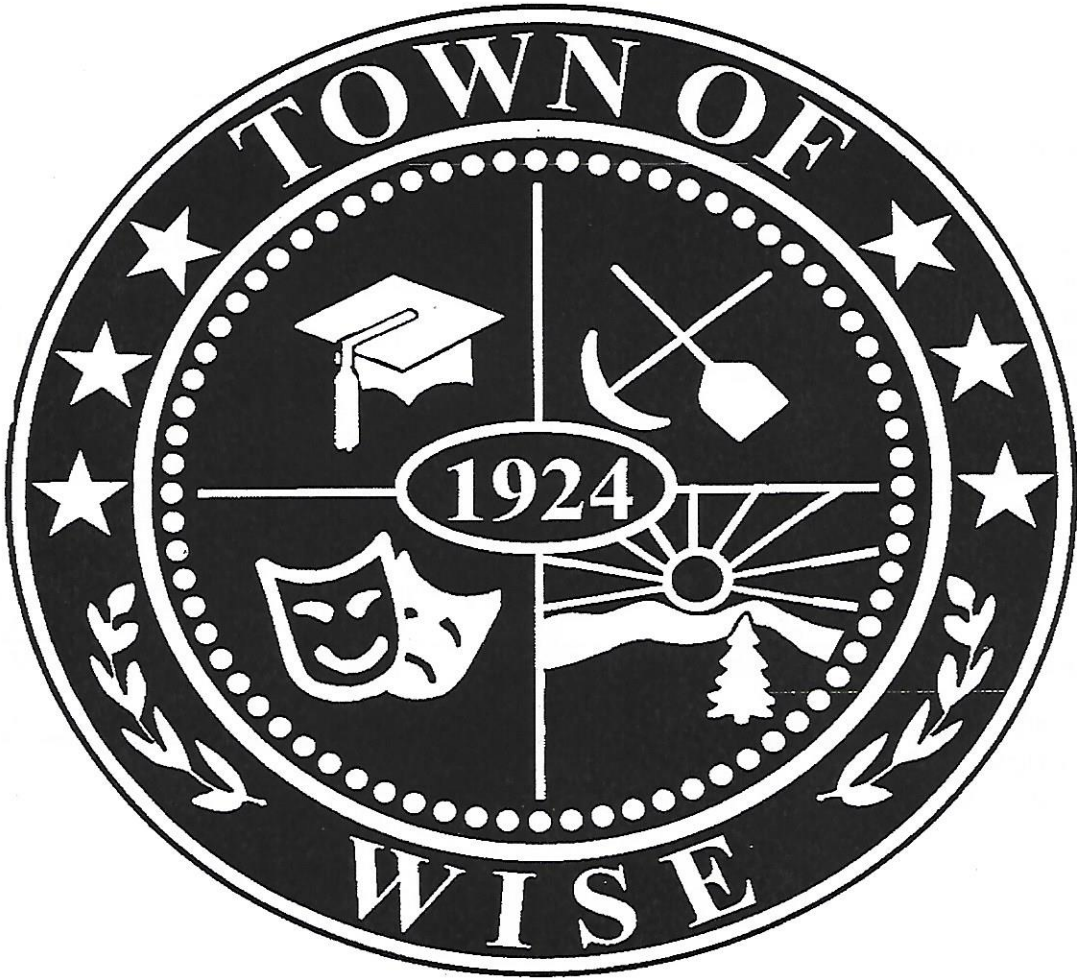
EXHIBIT 9

	TOTAL
CAPITAL ASSETS	
Land	\$ 2,287,892
Building and Building Improvements	3,175,288
Infrastructure	25,692,832
Equipment	4,301,715
Total Capital Assets	\$ 35,457,727
 INVESTMENT IN CAPITAL ASSETS BY SOURCE	
Enterprise Fund Revenues	\$ 16,720,190
Enterprise Fund Indebtedness	1,981,992
General Fund Revenues	16,755,545
General Fund Indebtedness	-
Total Investment in Capital Assets	\$ 35,457,727

TOWN OF WISE, VIRGINIA
SCHEDULE OF CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2017

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	\$ 1,767,161	\$ -	\$ 63,695	\$ 3,822,748
Judicial Administration	-	-	-	-	-
Public Safety	-	911,457	-	1,578,542	2,489,999
Public Works	-	200,335	4,881,401	1,341,805	6,423,541
Health & Welfare	-	-	-	-	-
Education	-	-	-	-	-
Parks, Recreation & Cultural	-	7,077	2,029,056	89,301	2,125,434
Community Development	-	-	1,861,850	31,973	1,893,823
Total Governmental	<u>1,991,892</u>	<u>2,886,030</u>	<u>8,772,307</u>	<u>3,105,316</u>	<u>16,755,545</u>
Business-Type:					
Water	209,750	208,522	12,174,361	774,926	13,367,559
Sewer	86,250	80,736	4,746,163	421,474	5,334,623
Total Business-Type	<u>296,000</u>	<u>289,258</u>	<u>16,920,524</u>	<u>1,196,400</u>	<u>18,702,182</u>
TOTAL CAPITAL ASSETS	<u><u>\$ 2,287,892</u></u>	<u><u>\$ 3,175,288</u></u>	<u><u>\$ 25,692,831</u></u>	<u><u>\$ 4,301,716</u></u>	<u><u>\$ 35,457,727</u></u>
BY FUNCTION					
(excluding depreciation)					



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SUPPLEMENTARY SCHEDULES

**TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF REVENUES - BUDGET & ACTUAL
YEAR ENDED JUNE 30, 2017**

**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	\$ 555,000	\$ 555,000	\$ 607,093	\$ 52,093
Real and Personal Public Service				
Corporation Property Taxes	13,000	13,000	18,835	5,835
Personal Property Taxes	124,210	124,210	141,196	16,986
Penalties and Interest	9,000	9,000	24,216	15,216
	<u>701,210</u>	<u>701,210</u>	<u>791,340</u>	<u>90,130</u>
PROPERTY TAXES				
	701,210	701,210	791,340	90,130
Other Local Taxes:				
Local Sales and Use Taxes	100,000	100,000	118,784	18,784
Consumer Utility Taxes	72,000	72,000	76,328	4,328
Consumption Tax	10,000	10,000	13,244	3,244
Business License Taxes	366,810	366,810	386,599	19,789
Franchise License Taxes	4,600	4,600	5,417	817
Motor Vehicle Licenses	-	-	-	-
Bank Stock Taxes	135,000	135,000	188,875	53,875
Transient Lodging Taxes	72,000	72,000	100,802	28,802
Coal Road Improvement Taxes	30,000	30,000	22,366	(7,634)
Cigarette Tax	64,000	64,000	54,291	(9,709)
Meal Tax	990,000	990,000	1,230,274	240,274
	<u>1,844,410</u>	<u>1,844,410</u>	<u>2,196,980</u>	<u>352,570</u>
Permits, Privilege Fees and Regulatory Licenses:				
Animal License	-	-	-	-
Permits	100	100	1,025	925
	<u>100</u>	<u>100</u>	<u>1,025</u>	<u>925</u>
REGULATORY LICENSES				
	100	100	1,025	925
Fines and Forfeitures	<u>10,100</u>	<u>10,100</u>	<u>14,371</u>	<u>4,271</u>
Revenue From Use of Money and Property:				
Interest and Rent Revenue	<u>12,000</u>	<u>12,000</u>	<u>39,866</u>	<u>27,866</u>
TOTAL REVENUE FROM USE OF MONEY & PROPERTY				
	<u>12,000</u>	<u>12,000</u>	<u>39,866</u>	<u>27,866</u>

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

**TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF REVENUES - BUDGET & ACTUAL
YEAR ENDED JUNE 30, 2017**

**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	\$ 48,100	\$ 48,100	\$ 48,410	\$ 310
Charges For Sanitation and Waste Removal	295,700	295,700	281,430	(14,270)
TOTAL CHARGES FOR SERVICES	343,800	343,800	329,840	(13,960)
Miscellaneous Revenue:				
Sale of Cemetery Plots	3,500	3,500	2,595	(905)
Sale of Property	100	100	3,508	3,408
County of Wise-Payment in Lieu of Taxes	-	-	-	-
Coal Severance Committee Appropriation	50,000	50,000	27,614	(22,386)
Miscellaneous	4,670	4,670	28,393	23,723
TOTAL MISCELLANEOUS REVENUE	58,270	58,270	62,110	3,840
TOTAL REVENUE FROM LOCAL SOURCES	2,969,890	2,969,890	3,435,532	465,642
Revenue From The Commonwealth:				
Non-Categorical Aid:				
Mobile Home Titling Tax	8,000	8,000	6,195	(1,805)
Rolling Stock Tax	10	10	9	(1)
Car Rental Tax	500	500	2,065	1,565
Financial Assistance To Police Dept.	76,000	76,000	79,460	3,460
PPTRA Tax Relief	57,000	57,000	57,392	392
Communications Sales and Use Tax	100,000	100,000	101,866	1,866
TOTAL NON-CATEGORICAL AID	241,510	241,510	246,987	5,477
Categorical Aid:				
Other Categorical Aid:				
Street and Highway Maintenance	515,000	515,000	537,441	22,441
Litter Grant	1,900	1,900	1,865	(35)
Fire Programs	10,000	10,000	10,663	663
Virginia Commission of Arts	-	-	-	-
Byrnes Justice Grants	-	-	-	-
VDOT Enhancement Grant	-	-	-	-
VDOT Revenue Sharing	160,950	160,950	-	(160,950)
VDOT MAP 21	532,800	532,800	-	(532,800)
DMV Highway Safety Grant	-	-	-	-
TOTAL CATEGORICAL AID	1,220,650	1,220,650	549,969	(670,681)
TOTAL REVENUE FROM THE COMMONWEALTH	1,462,160	1,462,160	796,956	(665,204)

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

**TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF REVENUES - BUDGET & ACTUAL
YEAR ENDED JUNE 30, 2017**

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	\$ 1,835	\$ 1,835	\$ 6,259	\$ 4,424
National Endowment for the Arts	5,000	5,000	5,000	-
DMV Highway Safety Grant	1,000	1,000	-	(1,000)
Dept. of Transportation Enhancement Grant	525,110	525,110	-	(525,110)
Selective Enforcement Grant	13,000	13,000	18,165	5,165
RD-CF Grant Police Car	-	-	-	-
TOTAL CATEGORICAL AID	<u>545,945</u>	<u>545,945</u>	<u>29,424</u>	<u>(516,521)</u>
TOTAL REVENUE FROM THE FEDERAL GOVT.	<u>545,945</u>	<u>545,945</u>	<u>29,424</u>	<u>(516,521)</u>
Suppl. Approp. From Prior Year Fund Bal.	2,938,886	2,938,886	-	(2,938,886)
TOTAL GENERAL FUND	<u>\$ 7,916,881</u>	<u>\$ 7,916,881</u>	<u>\$ 4,261,912</u>	<u>\$ (3,654,969)</u>

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

**TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL
YEAR ENDED JUNE 30, 2017**

**SCHEDULE 2
Page 1**

FUND, MAJOR & MINOR EXPENDITURE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Government Administration:				
Legislative:				
Town Council	\$ 42,140	\$ 42,140	\$ 28,277	\$ 13,863
TOTAL LEGISLATIVE	<u>42,140</u>	<u>42,140</u>	<u>28,277</u>	<u>13,863</u>
General and Financial Administration:				
Employee Benefits	75,520	75,520	20,522	54,998
Manager	106,830	106,830	101,382	5,448
Professional Services	44,030	44,030	28,723	15,307
Treasurer	200,645	200,645	164,448	36,197
Risk Management	121,430	121,430	118,978	2,452
Data Processing	52,020	52,020	48,631	3,389
TOTAL GENERAL AND FINANCIAL ADMINISTRATION	<u>600,475</u>	<u>600,475</u>	<u>482,684</u>	<u>117,791</u>
TOTAL GENERAL GOVERNMENT ADMINISTRATION	<u>642,615</u>	<u>642,615</u>	<u>510,961</u>	<u>131,654</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Police Department	1,175,840	1,175,840	991,486	184,354
TOTAL LAW ENFORCEMENT AND TRAFFIC CONTROL	<u>1,175,840</u>	<u>1,175,840</u>	<u>991,486</u>	<u>184,354</u>
Fire and Rescue Services:				
Volunteer Fire Department	53,200	53,200	54,991	(1,791)
Ambulance and Rescue Service	15,000	15,000	15,000	-
TOTAL FIRE AND RESCUE SERVICES	<u>68,200</u>	<u>68,200</u>	<u>69,991</u>	<u>(1,791)</u>
Correction and Detention:				
Court Expense	1,000	1,000	-	1,000
TOTAL COURT EXPENSE	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>

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

**TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL
YEAR ENDED JUNE 30, 2017**

**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	1,245,040	1,245,040	1,061,477	183,563
Public Works:				
Maintenance of Highways, Streets, Bridges, and Sidewalks:				
General Administration	121,140	121,140	64,076	57,064
Storm Drainage	6,000	6,000	10,928	(4,928)
Street Maintenance	2,531,800	2,531,800	748,082	1,783,718
Street Lights	64,000	64,000	62,606	1,394
Snow and Ice Removal	91,380	91,380	34,659	56,721
TOTAL MAINTENANCE OF HIGHWAYS, STREETS, BRIDGES, AND SIDEWALKS	2,814,320	2,814,320	920,351	1,893,969
Sanitation & Waste Removal:				
General Engineering/Administration:				
Solid Waste Removal	308,750	308,750	273,023	35,727
TOTAL SANITATION AND WASTE REMOVAL	308,750	308,750	273,023	35,727
Maintenance of General Buildings and Grounds:				
General Engineering/Administration:				
General Properties	262,350	262,350	194,197	68,153
TOTAL MAINTENANCE OF GENERAL BUILDINGS AND GROUNDS	262,350	262,350	194,197	68,153
TOTAL PUBLIC WORKS	3,385,420	3,385,420	1,387,571	1,997,849
Health and Welfare:				
Welfare Social Service:				
Property Tax Relief for Elderly	5,000	5,000	11,494	(6,494)
TOTAL HEALTH AND WELFARE	5,000	5,000	11,494	(6,494)

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

**TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL
YEAR ENDED JUNE 30, 2017**

**SCHEDULE 2
Page 3**

FUND, MAJOR & MINOR EXPENDITURE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Parks, Recreation & Cultural:				
Parks and Recreation:				
Parks and Play Grounds	\$ 52,400	\$ 52,400	\$ 33,426	\$ 18,974
Swimming Pool	333,625	333,625	243,839	89,786
Cemeteries	-	-	-	-
TOTAL PARKS AND RECREATION	<u>386,025</u>	<u>386,025</u>	<u>277,265</u>	<u>108,760</u>
Cultural Enrichment:				
Pro Art Association	8,000	8,000	8,000	-
Library Art Gallery	2,000	2,000	2,000	-
Friends of South West Virginia	1,000	1,000	1,000	-
Regional Library	9,000	9,000	9,000	-
Planning	54,250	54,250	50,233	4,017
TOTAL CULTURAL ENRICHMENT	<u>74,250</u>	<u>74,250</u>	<u>70,233</u>	<u>4,017</u>
TOTAL PARKS, RECREATION, AND CULTURAL	<u>460,275</u>	<u>460,275</u>	<u>347,498</u>	<u>112,777</u>
Community Development:				
Planning and Community Development:				
Planning	112,560	112,560	106,089	6,471
Cumberland Airport Commission	3,000	3,000	3,000	-
WBA-Fall Fling	5,000	5,000	5,000	-
Miscellaneous	1,750	1,750	-	1,750
TOTAL COMMUNITY DEVELOPMENT	<u>122,310</u>	<u>122,310</u>	<u>114,089</u>	<u>8,221</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	1,956,221	1,956,221	589,612	1,366,609
Reserve for Contingencies	100,000	100,000	2,516	97,484
TOTAL GENERAL FUND	<u>\$ 7,916,881</u>	<u>\$ 7,916,881</u>	<u>\$ 4,025,218</u>	<u>\$ 3,891,663</u>

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

SCHEDULE 3

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

FISCAL YEAR	GENERAL PROPERTY TAXES	OTHER LOCAL TAXES	FINES AND FORFEITURES	PERMITS, PRIVILEGE FEES & REGULATORY LICENSES	CHARGES FOR SERVICES	MISCELLANEOUS	REVENUE FROM			TOTAL
							USE OF MONEY AND PROPERTY	INTER-GOVERNMENTAL		
2017	\$ 791,340	\$ 2,196,980	\$ 14,371	\$ 1,025	\$ 329,840	\$ 62,110	\$ 39,866	\$ 826,380	\$	\$ 4,261,912
2016	808,460	2,182,802	19,889	525	332,696	61,178	39,773	932,629		4,377,952
2015	659,443	2,042,875	17,340	547	363,970	80,249	27,567	1,273,487		4,465,478
2014	637,575	1,989,857	15,097	475	357,512	80,002	25,269	753,219		3,859,006
2013	637,442	2,196,320	17,386	1,562	283,810	188,027	23,813	919,813		4,268,173
2012	638,392	1,965,533	16,637	1,674	292,545	141,993	29,979	1,107,713		4,194,466
2011	612,985	2,103,473	17,586	2,304	296,925	214,324	50,296	1,466,638		4,764,531
2010	593,612	2,120,307	19,207	1,289	290,139	152,901	72,512	769,721		4,019,688
2009	545,798	2,047,941	25,528	2,344	252,195	114,685	113,235	618,075		3,719,801
2008	533,967	1,958,075	32,215	1,548	257,055	93,129	206,913	645,909		3,728,811

SCHEDULE 4

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

FISCAL YEAR	GENERAL ADMINISTRATION	PUBLIC SAFETY	PUBLIC WORKS	RECREATION AND CULTURAL	HEALTH AND WELFARE	COMMUNITY DEVELOPMENT	NON DEPARTMENTAL	DEBT SERVICE	TOTAL
2017	\$ 513,477	\$ 1,061,477	\$ 1,387,571	\$ 347,498	\$ 11,494	\$ 114,089	\$ 589,612	\$ -	\$ 4,025,218
2016	475,411	1,103,005	1,316,624	171,630	19,182	110,186	-	-	3,196,038
2015	451,939	1,071,881	1,747,530	161,155	2,221	104,539	489,804	-	4,029,069
2014	481,195	1,118,698	1,193,519	120,040	4,939	135,093	320,800	66,745	3,441,029
2013	518,891	1,174,226	1,289,243	156,531	5,678	131,408	-	66,745	3,342,722
2012	490,230	1,592,775	1,326,770	213,748	9,920	354,995	-	66,745	4,055,183
2011	481,126	1,216,251	1,353,447	186,666	6,398	1,447,764	-	66,745	4,758,397
2010	460,570	1,173,552	1,436,894	236,987	7,881	236,029	-	66,745	3,618,658
2009	424,020	1,182,865	1,680,823	259,604	6,230	264,672	-	66,745	3,884,959
2008	406,137	1,176,522	1,475,337	182,841	7,339	265,433	-	66,712	3,580,321

**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
2017	\$ 209,938,260	\$ 28,179,654	\$ 4,250,151	\$ 6,278,177	\$ 248,646,242
2016	208,334,290	29,301,732	3,853,631	6,497,010	247,986,663
2015	202,017,551	36,203,962	1,756,226	5,915,448	245,893,188
2014	202,083,590	31,598,169	4,830,910	6,001,305	244,513,974
2013	200,577,948	32,019,501	4,356,590	5,711,257	242,665,296
2012	199,270,789	34,311,994	1,940,981	3,977,500	239,501,264
2011	196,135,891	30,363,988	4,106,290	4,603,246	235,209,415
2010	194,439,215	29,851,736	4,050,805	4,884,009	233,225,765
2009	160,596,939	32,721,952	4,319,930	3,098,502	200,737,323
2008	159,834,215	30,233,687	3,869,023	4,739,996	198,676,921

**PROPERTY TAX RATES
 LAST TEN YEARS**

FISCAL YEARS	REAL ESTATE	PERSONAL PROPERTY	MOBILE HOMES	PUBLIC UTILITY
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
2010	0.245	0.530	0.245	Various
2009	0.245	0.530	0.245	Various
2008	0.245	0.530	0.245	Various

SCHEDULE 6

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

FISCAL YEAR	TOTAL (1) TAX LEVY	CURRENT TAX (1) COLLECTIONS	PERCENT OF LEVY COLLECTED	DELINQUENT (1)		TOTAL TAX COLLECTIONS	PERCENT OF TOTAL TAX COLLECTIONS OF TAX LEVY	OUTSTANDING (1)		PERCENT OF DELINQUENT TAXES TO TAX LEVY
				TAX (2)	COLLECTIONS			TAXES	TAXES	
2017	\$ 793,050	\$ 764,051	96.34%	\$ 23,724	787,775	99.33%	\$ 43,254	5.45%		
2016	785,626	752,350	95.76%	33,246	785,596	100.00%	42,974	5.47%		
2015	696,132	610,699	87.73%	35,436	646,135	92.82%	23,526	3.38%		
2014	681,582	601,143	88.20%	13,389	614,532	90.16%	39,594	5.81%		
2013	612,258	604,307	98.70%	13,936	618,243	100.98%	43,702	7.14%		
2012	664,052	600,317	90.40%	21,834	622,151	93.69%	44,850	6.75%		
2011	658,603	576,569	87.54%	20,140	596,709	90.60%	44,189	6.71%		
2010	670,880	634,711	94.61%	8,757	643,468	95.91%	29,712	4.43%		
2009	576,329	565,569	98.13%	10,760	589,694	102.32%	25,506	4.43%		
2008	574,232	558,855	97.32%	13,163	578,732	100.78%	41,160	7.17%		

Notes:

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

SCHEDULE 7

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

FISCAL YEAR	POPULATION (1)	ASSESSED VALUE (IN THOUSANDS)	GROSS BONDED DEBT (2)	DEBT SERVICE MONIES AVAILABLE	LESS:		NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
					DEBT PAYABLE FROM ENTERPRISE REVENUES	DEBT SERVICE MONIES AVAILABLE			
2017	3,286	\$ 248,646	\$ 1,981,992	-	\$ 1,981,992	-	-	\$ -	-
2016	3,286	247,987	3,555,012	-	3,555,012	-	-	-	-
2015	3,286	245,893	2,954,345	-	2,954,345	-	-	-	-
2014	3,286	244,514	2,992,243	-	2,992,243	-	-	-	-
2013	3,286	242,665	3,083,616	-	3,018,828	64,788	0.0003	19.72	
2012	3,286	239,501	2,278,457	-	2,150,963	127,494	0.0005	38.80	
2011	3,255	235,209	204,547	-	16,273	188,274	0.0008	57.84	
2010	3,255	233,226	279,232	-	32,046	247,186	0.0011	75.94	
2009	3,255	200,737	351,622	-	47,335	304,287	0.0015	93.48	
2008	3,255	198,676	421,789	-	62,154	359,635	0.0018	110.49	

Notes:

(1) Bureau of Census.

(2) Includes all long-term general obligation debt.

TOWN OF WISE, VIRGINIA
 REQUIRED SUPPLEMENTARY INFORMATION
 TOWN OF WISE PLAN
 OTHER POST EMPLOYMENT BENEFITS-GASB 45
 JUNE 30, 2017

A. SCHEDULE OF FUNDING PROGRESS

VALUATION DATE	ACTUARIAL VALUE OF ASSETS (AVA) (1)	ACTUARIAL ACCRUED LIABILITY (AAL)		UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) (3) - (2)	FUNDING RATIO (2)/(3) (5)	ANNUAL COVERED PAYROLL (6)	UAAL AS % OF PAYROLL (4)/(6) (7)
		LIABILITY (3)	LIABILITY (4)				
January 1, 2009	\$0	\$176,800	\$176,800	0.00%	\$1,893,800	9.34%	
January 1, 2012	\$0	\$269,400	\$269,400	0.00%	\$2,036,700	13.23%	
January 1, 2015	\$0	\$358,900	\$358,900	0.00%	\$2,075,000	17.30%	

B. SCHEDULE OF EMPLOYER CONTRIBUTIONS

FISCAL YEAR ENDING 6/30	ANNUAL OPEB COST		ACTUAL CONTRIBUTION	PERCENT FUNDED
	ANNUAL OPEB COST	ANNUAL OPEB CONTRIBUTION		
2017	\$ 32,386	\$ 13,396	41.36%	
2016	\$ 31,687	\$ 6,281	19.82%	
2015	\$ 30,804	\$ 3,871	12.57%	
2014	\$ 29,379	\$ 1,050	3.57%	
2013	\$ 27,802	\$ 6,180	22.23%	
2012	\$ 26,427	\$ 8,330	31.52%	
2011	\$ 19,908	\$ 15,282	76.76%	
2010	\$ 19,175	\$ 11,050	57.63%	

C. CALCULATION OF NET OPEB OBLIGATION (NOO)

FISCAL YEAR ENDING	ANNUAL REQUIRED CONTRIBUTION	INTEREST ON OPEB OBLIGATION	ADJUSTMENT TO THE ARC	NET OPEB COST	ACTUAL CONTRIBUTION	CHANGE IN NET OPEB OBLIGATION AT END OF FY	
						NET OPEB OBLIGATION	NET OPEB OBLIGATION
6/30/2017	32,600	3,801	(4,015)	32,386	13,396	18,990	170,328
6/30/2016	31,900	3,784	(3,997)	31,687	6,281	25,406	151,338
6/30/2015	31,000	3,465	(3,661)	30,804	3,871	26,933	125,932
6/30/2014	29,100	2,714	(2,435)	29,379	1,050	28,329	98,999
6/30/2013	27,600	1,962	(1,760)	27,802	6,180	21,622	70,670
6/30/2012	26,300	1,238	(1,111)	26,427	8,330	18,097	49,048
6/30/2011	19,800	1,053	(945)	19,908	15,282	4,626	30,951

**TOWN OF WISE, VIRGINIA
SCHEDULE OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED JUNE 30, 2017**

SCHEDULE 9

Legal Debt Limit	
10% of Assessed Value Of Taxable Real Estate (Including Public Utility Real Estate) (\$216,216,437 x .10)	\$ 21,621,644
Deduct	
Bonds Payable	<u>(1,981,992)</u>
Legal Margin For Creation Of Additional Debt	<u>\$ 19,639,652</u>

TOWN OF WISE, VIRGINIA
SCHEDULE OF FUND BALANCES - GASB 54
JUNE 30, 2017

SCHEDULE 10

General Fund Balances:

Nonspendable:

Cemetery Saving \$ 405,342

Restricted for:

Transportation -

Unassigned: 5,920,250

General Fund Balance June 30, 2017 \$6,325,592

TOWN OF WISE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
RETIREMENT PLAN
JUNE 30, 2017

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

	2016	2015	2014
Total pension liability			
Service cost	\$ 230,075	\$ 223,237	\$ 227,300
Interest	682,748	654,198	611,870
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(34,038)	(178,761)	-
Changes in assumptions	-	-	-
Benefit Payments, including refunds of employee contributions	(357,183)	(224,440)	(244,530)
Net change in total pension liability	521,602	474,234	594,640
Total pension liability-beginning	9,932,136	9,457,902	8,863,262
Total pension liability-ending (a)	<u>\$ 10,453,738</u>	<u>\$ 9,932,136</u>	<u>\$ 9,457,902</u>
Plan fiduciary net position			
Contributions-employer	\$ 192,824	\$ 192,583	\$ 184,911
Contributions-employee	103,463	103,496	111,612
Net investment income	163,417	413,438	1,218,703
Benefit Payments, including refunds of employee contributions	(357,183)	(224,440)	(244,530)
Administrative expense	(5,844)	(5,508)	(6,458)
Other	(69)	(88)	64
Net change in plan fiduciary net position	96,608	479,481	1,264,302
Plan fiduciary net position-beginning	9,390,249	8,910,768	7,646,466
Plan fiduciary net position-ending (b)	<u>\$ 9,486,857</u>	<u>\$ 9,390,249</u>	<u>\$ 8,910,768</u>
Town of Wise, Virginia's			
Net pension liability-ending (a) - (b)	<u>\$ 966,881</u>	<u>\$ 541,887</u>	<u>\$ 547,134</u>
Plan fiduciary net position as a percentage of the total			
Pension liability	90.8%	94.5%	94.2%
Covered payroll	\$ 2,034,452	\$ 2,071,817	\$ 2,071,642
Town of Wise, Virginia's net pension liability			
As a percentage of covered payroll	47.5%	26.2%	26.4%

TOWN OF WISE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
RETIREMENT PLAN
JUNE 30, 2017

Schedule of Employer Contributions
For the Years Ended June 30, 2008 through 2017

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)
2017	151,974	151,974	0	2,034,452	7.47%
2016	193,770	193,770	0	2,083,552	9.3%
2015	192,679	192,679	0	2,071,817	9.3%
2014	184,912	184,912	0	2,150,140	8.6%
2013	179,791	179,791	0	2,090,590	8.6%
2012	75,717	75,717	0	1,947,445	3.84%
2011	74,370	74,370	0	1,886,959	3.84%
2010	73,069	73,069	0	1,936,727	3.84%
2009	79,607	79,607	0	1,902,844	4.16%
2008	78,025	78,025	0	1,854,239	4.16%

TOWN OF WISE, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
VRS RETIREMENT PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012.

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

COMPLIANCE

LARRY D. STURGILL, P. C.

LARRY D. STURGILL

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**INDEPENDENT AUDITOR'S 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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 15, 2017.

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 15, 2017

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