



AUDIT REPORT

JUNE 30, 2018

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JUNE 30, 2018**

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INTRODUCTORY SECTION



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PROFILE OF THE TOWN

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

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

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

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

LOCAL ECONOMY

The Town of Wise is proud to be the home of the University of Virginia's College at Wise. This public, four-year residential college attracts students from throughout the Southeast as well as from foreign countries. The College offers Virginia's only undergraduate degree program in software engineering as well as 30 majors, 32 minors, 24 teaching licensures, and 7 pre-professional programs in the fields of dentistry, engineering, law, medicine, physical therapy, and veterinary medicine.

The College's Economic Development Office provides resources for local business recruiting efforts and its business launch program connects individuals with faculty, students, and other regional, state, federal resources to help build an entrepreneurial culture in Southwest Virginia. The College is also in the process of developing a cyber-technology business accelerator. Town residents are largely employed in education services associated with UVa-Wise and the Wise County School System. The function of the Town as the county seat also brings significant employment in governmental and professional services. The retail trade industry 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 work for a number of local residents. Crutchfield Corporation, the nation's leading catalog and internet retailer of audio and video components employs over one hundred highly skilled people to respond to sales, technical support, and service calls. In addition, Sykes Enterprises, Inc., a global in-bound customer technical support center provides support for hardware and software products from various companies including TurboTax and Quickbooks and employs hundreds of area residents. A nearby \$72M data center provides business continuity and disaster recovery services for major corporate and governmental clients. 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, 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 also prepared and tracked by the

Town. The budget appropriation resolution places legal restrictions on expenditures at the departmental level. Budget transfers between departments and requests for supplemental appropriations require action by the governing body. Budget-to-actual comparisons for the General Fund are provided in this report in Schedules 1 and 2.

MAJOR INITIATIVES FOR FISCAL YEAR 2018

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 27, 2017, the Wise Town Council adopted a General Fund budget for FY 2018 totaling just over \$9.4 million and representing an increase of 19% from the previous fiscal year. The increase is due, in large part, to budgeting of a transfer from General Fund savings accounts to retire Water Fund debt which financed capital improvements to two water storage tanks. Also included was a \$300,000 set aside to pay down some of the net pension liability in the Town's retirement account. As of June 30, 2017, the unfunded actuarial accrued retirement liability was \$763,017.

The Town's utility rates are not sufficient to provide adequate income to meet requirements for operation, maintenance, and debt service. A 10% water rate increase for all in-town customers was enacted in order to satisfy the Town's commitment for financial assistance packages provided by the Virginia Resources Authority (VRA) and the Virginia Department of Health (VDH) for assorted water storage tank maintenance work. No increases were adopted for out-of-town customers.

The Town supports a number of charitable institutions, volunteer, and nonprofit organizations which serve residents. Most notable, during Fiscal Year 2018, just over \$86,000 was provided to support the operation of the Wise Volunteer Fire Department, \$9,000 for the Lonesome Pine Regional Library, \$2,000 for the Library Art Gallery, \$3,000 for the Cumberland 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, \$300 for the Food Bank of Wise County, and \$5,000 to assist with Wise Fall Fling festival expenses. The Town also supported the first Virginia High School Coaches Association All-Star Football game held at UVA-Wise in December. Eighty of the top football players from across the state were selected to participate in the game. Players, coaches, families, and friends traveling enjoyed food, lodging, and entertainment during the event.

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 fourth year running, in April of 2018, 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). The 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. Constructed in 1964, the Wise Water Treatment Plant serves approximately 2650 water connections and approximately 7,450 people. The water system consists of over 50 miles of water line, a 1.5 million-gallon-per-day surface water treatment plant, 3 pump stations, and 8 water storage tanks.

The Coeburn-Norton-Wise Regional Wastewater Treatment Authority was organized in 1987 as a cooperative effort of the Town of Coeburn, City of Norton, and Town of Wise to address mandates and operational deficiencies in each individual system. This past year, CNW was recognized as the Wastewater Treatment System of the Year by the Virginia Regional Water Association. A number of local representatives were present for the awards ceremony.

The Fairfax Volunteer Fire Department donated a retired 1998 fire truck to the Wise Volunteer Fire Department. This generous gift of valuable equipment provides an important resource to the dedicated fire-fighting volunteers in Wise.

In November of 2017, local resident Ray Lawson was the recipient of the town's "Hometown Hero Award" for a lifetime of service in support of the citizens of the Town of Wise. He was honored for his contributions to numerous civic projects including the Wise Business Association, the Fall Fling festival and Chillin' & Grillin'.

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 93 percent of the current tax levy. This year, the department replaced printers and back-up power supplies. The server was also replaced because the hardware vendor would no longer support the maintenance of the device due to its obsolescence.

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 18 was \$73,036. This is an increase from interest earned on temporary investments in FY 17 which totaled \$49,645.

Reserve Policy

The governing body and its chief financial officers have long recognized the importance of maintaining a prudent level of fund balance to ensure that adequate reserves are available to respond to emergencies, provide cash flow, and provide overall financial stability. The Unassigned General Fund Reserve target is 10% of the budget to provide the Town with sufficient working capital and a margin of safety to address unforeseen, one-time emergency expenditures, or significant and unforeseen declines in revenue in a specific year. Unassigned

Fund Balance in the general fund measured 68% of the General Fund budget for FY 17-18 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 228 school walk-throughs and presentation of programs for the Head Start Program and the Wise Primary School. In addition, officers periodically eat lunch with children at the Primary School. Business bank deposit escorts are routinely provided and over 11,384 business security checks were completed creating opportunities for interaction with the police personnel. The Department utilized 297 hours for traffic checkpoints and selective enforcement shifts which are aimed at lowering the number and severity of automobile crashes.

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

This past year, the Department's 2006 Ford cruiser was replaced in order to assure a reliable fleet of response vehicles. The Department also purchased two in-car cameras. The cameras increase officer safety, reduce department liability, and improve public trust. Having an accurate record of incidents allows for quick resolution of false complaints by citizens and helps avoid frivolous lawsuits.

Public Works

Much of the work performed by the Public Works Department involves routine maintenance. Utility crews answered 2,894 service calls during normal business hours and responded to 34 after hours call-outs. The Division installed 22 new water taps, 6 new sewer taps, and replaced 127 meters. Approximately 2,463 feet of new water line and 723 feet of new sewer line was also constructed. This past year, 2,255 feet of sewer line was filmed and tested and 2 new fire hydrants were installed. Personnel also responded to 300 requests for location and marking of underground utilities.

Significant water system improvements completed with in-house staff included replacement of a eight-inch water main on Hix Ave, replacement of a two-inch water main between Greenbriar I and II subdivisions, replacement of a six-inch water main on Hodges Street, installation of two new pumps in the Ridgefield Pump Station, and replacement of fifteen deteriorated valves throughout the water distribution system.

Water losses and associated revenue losses occur in all water utilities. The public works department regularly audits water supplies and implements controls to keep system losses at reasonable levels. As a result of active resource management, the average monthly water loss through pipeline leakage was less than 6% in FY 18 which is well below the industry standard.

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

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

This year, the Street Department overlaid portions of nine roads in an effort to repair damage associated with the weather, wear and tear, and utility cuts. Ornamental street lamp posts in downtown Wise were upfitted with 30-amp receptacles for festival use. Maintenance of coal haul routes during FY 17-18 included the pavement of a portion of Lake Street. The Town continued work on a \$9.7M "Smart Scale" project to add additional travel lanes on Norton Road. The project is currently under design and construction is expected to begin in 2021. The Town also successfully secured funding for sidewalk improvements on a portion of Norton Road and for completion of Phase II of the streetscape project to continue improvements on East Main Street from Tacoma Ave to Railroad Ave.

Managing solid waste is always a key concern for any municipality. In FY 18, a four-person sanitation crew collected and transported nearly 3,200 tons of waste to Wise County's Blackwood Landfill. In addition, 49 dump truck loads of yard waste were collected and chipped.

Public works departments rely on various vehicles and equipment to perform their jobs. In order to maintain effective delivery of municipal services, during FY 18, a number of vehicles which had outlived their useful life were replaced as follows: a 1997 pick-up truck, a 2003 service truck with utility bed, a 1995 dump truck, and a 2007 rear-loading garbage truck with packer. The department also purchased the Town's first all-terrain vehicle to transport equipment and personnel to maintenance jobs and construction sites. The ATV is also beneficial during special events.

Several municipal properties were upgraded during FY17. Pool deck chairs were replaced at the Wise Swim Facility. A new roof was installed for the fire station. The raw water pump at the Wise Water Treatment Plant was replaced. In addition, 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 199 established businesses and during FY 2018, 13 new businesses elected to locate in the Town. In addition, permits were issued for the construction of two new residences and a conditional use permit was approved for the construction of the Buchanan Nature Trail & Park off of Wampler Ave. This pet-friendly system of walking trails will be built in phases and is scheduled to open to the public in January of 2019. A conditional use permit was also approved for UVA-Wise to utilize a dwelling on Park Ave as office space for an entrepreneurial incubator to be known as "The Nest".

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. Three properties were cited for Property Maintenance Code violations and eighteen 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 2018 event season at Big Glades kicked off on June 21st with a week-long celebration for "Beachfest" including a party and games at the swim facility, family movie night in the pool, and a concert featuring *IdleTime* and *Longshot*. Movies and concerts staged at the amphitheatre were offered free to the public as a result of partnerships with a variety of businesses and organizations. "Chillin & Grillin in the Glades" returned for its sixth year and included a KCBS sanctioned State Barbecue Championship competition, dessert contest, cornhole tournament, Grillmaster 5K footrace, 1-mile Challenge Walk, Fireman's obstacle course challenge, Kids Corner, and concerts by eight different bands. The Town partnered with 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 six movie nights screened 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. Cooking demonstrations and art classes supplemented the hand-crafted items and produce available for purchase.

In recognition of the importance of the College to this community, the Town manned a welcome booth during Convocation Day in August to welcome new and returning students, faculty, and staff. Informational literature and maps were distributed along with 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 130 vendors participated and there were two separate music venues hosting twenty-five performances. This year's event included a Senior Citizens picnic, a photography/art/writing contest & exhibit, a car & bike exhibit, 5K run and 1K Run/Walk/Roll fitness challenge, pet contest, corn hole

tournament, and Kid's Corner with magic show and firefighter's obstacle course. Back by popular demand were the community-wide yard sale, soup bean & hot dog lunch, and spaghetti dinner on Friday to kick off the main events on Saturday and Sunday. The Town provides security, traffic control, tent, stage, and food court set-up, garbage collection, and other logistical and support services.

Parks and Recreation

The 2018 pool season began on May 26th and ended on August 12th with just over 8,500 people visiting the facility during that time period. Despite good attendance, fees for services were not sufficient to fund the total cost of daily operation and maintenance.

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

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

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. The latest APA FAM score for the Town of Wise is 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 residual 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. Historically, mining payrolls and taxes paid by the coal industry have supported local and state government and contributed to the growth of the region. In addition, the coal industry has also been a generous supporter of nonprofit and charitable organizations that meet local human service needs. Current economic trends reflect continuing unemployment rates that exceed local historic averages and state and national averages. Job loss and business closures 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, defense 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.

Mandates for improvements to 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 expensive technologies and infrastructure to ensure that they are compliant with regulatory standards and requirements. 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.

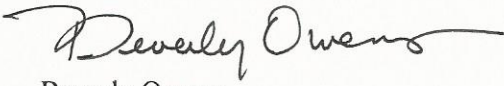
In addition, the entry age normal cost method will now be required to determine liability, rather than the projected unit credit method currently in use by many jurisdictions, including Wise. This change in cost method will result in a significant one-time increase to the size of the OPEB liability.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

The governing body will have to provide policy leadership to strategically reduce expenses while minimizing impact to services if a healthy financial position is to be maintained. In addition, balancing funding for existing programs and the needs for capital improvements with taxpayer affordability will be an extremely difficult exercise.

The Town of Wise achieved success in several major areas in FY 18 which included generating positive business growth, increasing Fund Balance, effectively managing debt costs, growing

income, and successfully controlling expenses. Moving forward, the Town hopes to leverage new workforce training programs, and growth at the College to build on the momentum developed in FY 18. 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 2017-2018 Fiscal Year, Town Council approved a General Fund Operating Budget of \$9.4 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 black ink, appearing to read "Beverly Owens", with a long horizontal flourish 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

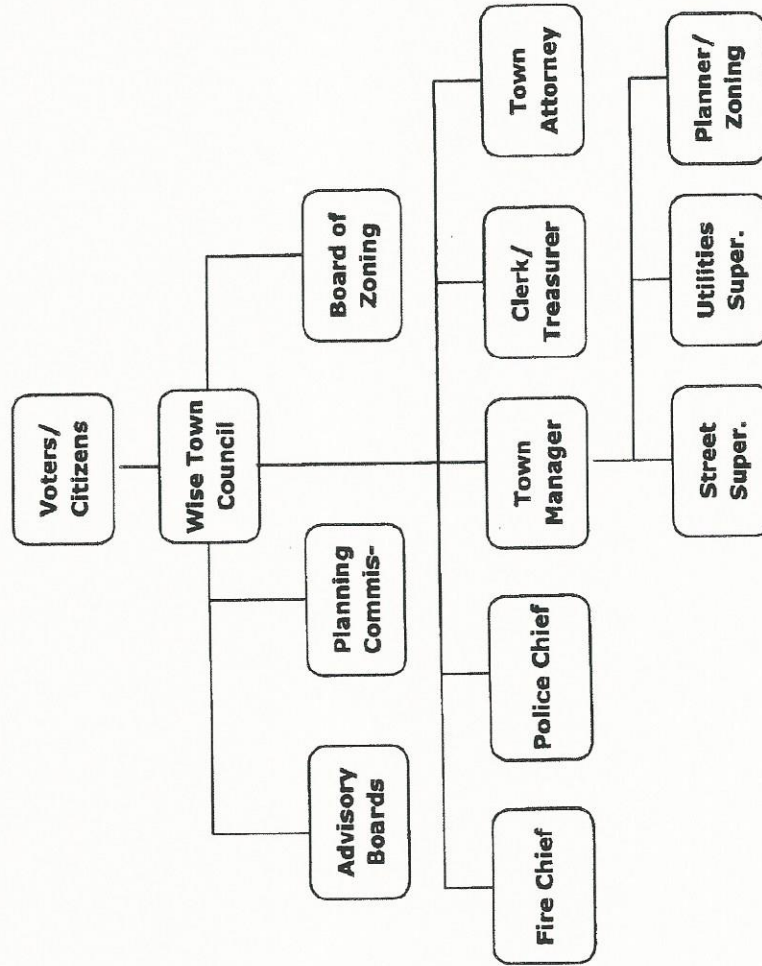
OTHER TOWN OFFICIALS

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

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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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

The Honorable Members of Town Council
Town of Wise
Wise, Virginia 24293
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assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Wise, Virginia, as of June 30, 2018, 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, 2018



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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, 2018. 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 \$25,607,483 (net position). Of this amount, \$6,371,102 (unrestricted) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$692,255 of which the governmental activities increased by \$264,990 and business-type activities increased by \$427,265.
- As of the close of the current fiscal year; the Town's general fund reported an ending fund balance of \$6,924,702, an increase of \$599,110 in comparison with the prior year. \$6,497,642 of this total amount is available for spending at the Town's discretion (unassigned fund balance).
- Unassigned fund balance for the general fund was \$6,497,642, or 187% percent of total general fund expenditures and 147% of total general fund revenues.
- The Town's total debt decreased by \$191,468 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 \$25,607,483 at the close of fiscal year 2018.

The largest portion of the Town's net position (\$18,008,866; 70 percent of the total) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide service to citizens: consequently, these assets are *not* available for future spending, as capital assets are generally not sold or otherwise disposed of during their useful life. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-wide Financial Analysis

Town of Wise, Virginia's Net Position

	<u>Primary Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
<u>ASSETS & DEFERRED OUTFLOWS:</u>		
Current and other assets	\$ 8,223,016	\$ 7,441,705
Capital assets, net	19,799,390	19,943,851
Other Noncurrent assets	800,000	800,000
Deferred Outflows	<u>542,484</u>	<u>774,523</u>
Total assets & deferred outflows	<u>29,364,890</u>	<u>28,960,079</u>
<u>LIABILITIES & DEFERRED INFLOWS:</u>		
Current liabilities	388,195	509,332
Long-term liabilities outstanding	2,485,588	3,134,242
Deferred Inflows	<u>883,624</u>	<u>401,277</u>
Total liabilities & deferred inflows	<u>3,757,407</u>	<u>4,044,851</u>
<u>NET POSITION:</u>		
Net investment in capital assets	18,008,866	17,961,859
Restricted	1,227,515	1,205,797
Unrestricted	<u>6,371,102</u>	<u>5,747,572</u>
Total net position	<u>25,607,483</u>	<u>24,915,228</u>
Total Liabilities, Deferred Inflows, And Net Position	<u>\$29,364,890</u>	<u>\$28,960,079</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 \$692,255. Key elements of this increase are as follows:

Town of Wise, Virginia’s Change in Net Position		
	<u>Primary Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
REVENUES:		
Program revenues:		
Charges for services	\$ 3,245,063	\$ 3,268,094
Grants and contributions	855,900	686,467
General Revenues:		
Property taxes	791,944	850,981
Other Local taxes	2,398,110	2,298,847
Other	166,783	110,339
TOTAL REVENUES	<u>\$ 7,457,800</u>	<u>\$ 7,214,728</u>
EXPENSES:		
General government	\$ 841,162	\$ 515,916
Public safety	1,107,108	1,003,003
Public works	1,375,023	1,347,033
Health and welfare	4,603	11,494
Parks, recreation and culture	246,979	289,021
Community development	221,040	191,445
Interest Expense	0	0
Water and Sewer	2,969,630	2,840,399
TOTAL EXPENSES	<u>\$ 6,765,545</u>	<u>\$ 6,198,311</u>
Increase (decrease) in net position	\$ 692,255	\$ 1,016,417
Net position – June 30, 2017	<u>24,915,228</u>	<u>23,898,812</u>
Net position – June 30, 2018	<u>\$ 25,607,483</u>	<u>\$24,915,228</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 \$6,924,702, an increase of \$599,110 in comparison with the prior year. \$427,060 (6%) 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-four percent of this total amount, \$6,497,642 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 \$599,110 during fiscal year 2018 to \$6,924,702, of which \$6,497,642 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 2018, the General Fund's assigned and unassigned fund balances of \$6,924,702 represents (157%) of total General Fund revenues of \$4,397,428. In addition, General Fund's unassigned fund balance totaled \$6,497,642 and continues to exceed the 10% minimum set by the Town's fund balance policy. The \$599,110 fiscal year 2018 increase in the General Fund's fund balance resulted from General Fund revenues of \$4,397,428 less expenditures of \$3,470,075 and a transfer of \$328,243 to the water fund, and was primarily the result of revenue increase as shown on Exhibit 4 to the financial statements.

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

General Fund Budgetary Highlights

Differences between the budgeted and the actual amounts represent expenditures being \$5,630,922 lower than anticipated, while revenues were \$5,031,812 lower than anticipated, resulting in a favorable difference of \$599,110 (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, 2018 amounts to \$18,008,866, net of related debt and accumulated depreciation. This investment is in land, buildings and improvements, infrastructure, and machinery and equipment. The total increase in the Town's investment in capital assets, net of depreciation, for all funds in the current fiscal year was \$47,007.

Town of Wise, Virginia's Change in Capital Assets

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 2,287,892	\$ 2,287,892
Buildings and Building Improvements	3,205,070	3,175,288
Infrastructure	26,224,862	25,692,832
Equipment	<u>4,383,965</u>	<u>4,301,715</u>
Total	36,101,789	35,457,727
Less: accumulated depreciation	<u>(16,302,399)</u>	<u>(15,513,876)</u>
Net capital assets	<u>\$19,799,390</u>	<u>\$ 19,943,851</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 \$1,790,524, in addition to claims, judgments, and compensated absences of \$113,790. Of this amount, \$1,790,524 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 \$191,468.

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 2018 unemployment rate for the local area was 5.9% percent, which is a decrease from a rate of 7.3% percent a year ago. This is higher than the state's average unemployment rate of 3.3% percent by 2.6 percent and higher than the national average rate of 4.0% by 1.9 percent.

All of these factors were considered in preparing the Town's budget for the 2018 fiscal year.

Rates

The appropriate tax rates for the 2017-2018 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, 2018

	<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	\$ 6,340,220	\$ 577,506	\$ 6,917,726
Receivables, net			
Taxes	167,506	-	167,506
Accounts	39,077	296,427	335,504
Other	1,247	-	1,247
Due from Other Governmental Units	96,104	174,944	271,048
Restricted Cash	427,060	102,925	529,985
Total current assets	<u>7,071,214</u>	<u>1,151,802</u>	<u>8,223,016</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	7,362,312	10,149,186	17,511,498
Total capital assets	<u>9,354,204</u>	<u>11,245,186</u>	<u>19,799,390</u>
Total assets	<u>16,425,418</u>	<u>12,396,988</u>	<u>28,822,406</u>
DEFERRED OUTFLOWS			
Pension Plan	271,242	271,242	542,484
LIABILITIES			
Current liabilities:			
Accounts payable	70,479	22,073	92,552
Accrued liabilities and wages	59,911	36,859	96,770
Compensated Absences	7,055	4,324	11,379
Customer deposits	-	102,925	102,925
General Obligation Bonds Payable	-	84,569	84,569
Total current liabilities	<u>137,445</u>	<u>250,750</u>	<u>388,195</u>
Noncurrent liabilities:			
Noncurrent Portion of Compensated Absences	63,498	38,913	102,411
Other Post Employment Benefits	508,214	-	508,214
Net Pension Liability	78,578	78,578	157,156
Accrued Interest	-	11,852	11,852
Noncurrent Portion of Long-term Obligation	-	1,705,955	1,705,955
Total noncurrent liabilities	<u>650,290</u>	<u>1,835,298</u>	<u>2,485,588</u>
Total liabilities	<u>787,735</u>	<u>2,086,048</u>	<u>2,873,783</u>
DEFERRED INFLOWS			
Pension Plan	441,812	441,812	883,624
NET POSITION			
Net investment in capital assets	9,354,204	8,654,662	18,008,866
Restricted-cemetery savings	427,060	-	427,060
Restricted-debt reserves	-	800,455	800,455
Restricted-transportation	-	-	-
Unrestricted	5,685,849	685,253	6,371,102
Total net position	<u>\$ 15,467,113</u>	<u>\$ 10,140,370</u>	<u>\$ 25,607,483</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, 2018**

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	\$ 841,162	\$ -	\$ -	\$ -	\$ (841,162)	\$ -	\$ (841,162)
Public safety	1,107,108	-	108,267	9,700	(989,141)	-	(989,141)
Public works	1,375,023	281,669	544,226	56,283	(492,845)	-	(492,845)
Health & welfare	4,603	-	-	-	(4,603)	-	(4,603)
Parks, recreation and cultural	246,979	46,953	-	-	(200,026)	-	(200,026)
Community development	221,040	-	-	-	(221,040)	-	(221,040)
Interest & fiscal charges	-	-	-	-	-	-	-
Total governmental activities	<u>3,795,915</u>	<u>328,622</u>	<u>652,493</u>	<u>65,983</u>	<u>(2,748,817)</u>	<u>-</u>	<u>(2,748,817)</u>
Business-type Activities:							
Water	1,611,053	1,522,034	-	137,424	-	48,405	48,405
Sewer	1,358,577	1,394,407	-	-	-	35,830	35,830
Total business-type activities	<u>2,969,630</u>	<u>2,916,441</u>	<u>-</u>	<u>137,424</u>	<u>-</u>	<u>84,235</u>	<u>84,235</u>
Total primary government	<u>\$ 6,765,545</u>	<u>\$ 3,245,063</u>	<u>\$ 652,493</u>	<u>\$ 203,407</u>	<u>(2,748,817)</u>	<u>84,235</u>	<u>\$ (2,664,582)</u>
General Revenues:							
Taxes:							
Property Taxes, levied for general purposes					791,944	-	791,944
Utility Taxes					83,246	-	83,246
Mineral Taxes					23,234	-	23,234
Franchise Taxes					4,469	-	4,469
Local Sales & Use Taxes					101,920	-	101,920
Other Local Taxes					2,185,241	-	2,185,241
Investment Income					59,010	14,026	73,036
Operating transfers and adjustments					(328,243)	328,243	-
Gain/(Loss) from Property Disposal					11,976	761	12,737
Other					81,010	-	81,010
Total general revenues and transfers					<u>3,013,807</u>	<u>343,030</u>	<u>3,356,837</u>
Change in Net Position					264,990	427,265	692,255
Net position - beginning					15,202,123	9,713,105	24,915,228
Net position - ending					<u>\$ 15,467,113</u>	<u>\$ 10,140,370</u>	<u>\$ 25,607,483</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF WISE, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2018**

	General Fund	Total
ASSETS		
Cash and cash equivalents	\$ 6,340,220	\$ 6,340,220
Receivables, net:		
Taxes	167,506	167,506
Accounts	39,077	39,077
Other	1,247	1,247
Due from other governments	96,104	96,104
Restricted cash	427,060	427,060
Total assets	7,071,214	7,071,214
LIABILITIES		
Accounts payable	70,479	70,479
Accrued payroll and related liabilities	59,911	59,911
Total liabilities	130,390	130,390
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	16,122	16,122
Total deferred inflows of resources	16,122	16,122
FUND BALANCES		
Nonspendable for cemetery	417,825	417,825
Restricted for debt service	-	-
Restricted for asset forfeiture	9,235	9,235
Unassigned funds	6,497,642	6,497,642
Total fund balances	6,924,702	6,924,702
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,071,214	\$ 7,071,214

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

Total Fund Balances \$ 6,924,702

Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds. The cost of the assets is \$17,069,378 and the accumulated depreciation is \$7,715,175 9,354,203

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. (154,447)

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	\$ (508,214)	
Compensated Absences	(70,553)	
Net Pension Asset	(78,578)	(657,345)

Net Position of Governmental Activities

\$ 15,467,113

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, 2018

EXHIBIT 4

	<u>General Fund</u> <u>2018</u>	<u>General Fund</u> <u>2017</u>
REVENUES		
General property taxes	\$ 797,412	\$ 791,340
Other local taxes	2,170,923	2,196,980
Permits, privilege fees and regulatory licenses	825	1,025
Fines and forfeitures	12,440	14,371
Revenue from the use of money and property	59,010	39,866
Charges for services	328,622	329,840
Miscellaneous	120,016	62,110
Intergovernmental	908,180	826,380
Total revenues	<u>4,397,428</u>	<u>4,261,912</u>
EXPENDITURES		
Current:		
General government administration	535,747	513,477
Public safety	1,153,313	1,061,477
Public works	1,465,480	1,387,571
Health & Welfare	4,603	11,494
Parks, recreation and cultural	166,617	347,498
Community development	144,315	114,089
Debt Service:		
Principal Retirement	-	-
Interest	-	-
Total expenditures	<u>3,470,075</u>	<u>3,435,606</u>
Excess (deficiency) of revenues over expenditures	<u>927,353</u>	<u>826,306</u>
OTHER FINANCING SOURCES (USES)		
Loan proceeds	-	-
Operating transfers	(328,243)	(589,612)
Total other financing sources (uses)	<u>(328,243)</u>	<u>(589,612)</u>
Net change in fund balance	599,110	236,694
Fund balance - beginning	<u>6,325,592</u>	<u>6,088,898</u>
Fund balance - ending	<u>\$ 6,924,702</u>	<u>\$ 6,325,592</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, 2018**

EXHIBIT 5

	<u>General Fund</u>
Amounts Presented for Governmental Activities in the statement of activities are different because:	
Net Change in Fund Balance- total governmental fund	\$ 599,110
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.	(78,833)
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.	(5,469)
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.	(242,725)
In the statement of activities, compensated absences are measured by the amounts earned during the year. In governmental funds however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.	<u>(7,093)</u>
Total change in net position of governmental activities	<u>\$ 264,990</u>

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

TOWN OF WISE, VIRGINIA
COMBINED STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2018

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Combined Totals 2018</u>
ASSETS			
Current assets:			
Cash & cash equivalents	\$ -	\$ 577,506	\$ 577,506
Receivables, net	147,402	149,025	296,427
Due from other Governmental Units	174,944	-	174,944
Restricted cash	<u>102,925</u>	<u>-</u>	<u>102,925</u>
Total current assets	<u>425,271</u>	<u>726,531</u>	<u>1,151,802</u>
Noncurrent Assets:			
Restricted cash	800,000	-	800,000
Capital assets, depreciable, net	9,070,673	1,078,513	10,149,186
Capital assets, non-depreciable	<u>209,750</u>	<u>86,250</u>	<u>296,000</u>
Total noncurrent assets	<u>10,080,423</u>	<u>1,164,763</u>	<u>11,245,186</u>
Total assets	<u>10,505,694</u>	<u>1,891,294</u>	<u>12,396,988</u>
DEFERRED OUTFLOWS			
Pension Plan	<u>135,621</u>	<u>135,621</u>	<u>271,242</u>
LIABILITIES			
Current liabilities:			
Accounts payable	14,600	7,473	22,073
Accrued wages and liabilities	23,739	13,120	36,859
Customer deposits	102,925	-	102,925
Compensated absences-current	2,459	1,865	4,324
General obligation bonds payable-current	<u>84,569</u>	<u>-</u>	<u>84,569</u>
Total current liabilities	<u>228,292</u>	<u>22,458</u>	<u>250,750</u>
Noncurrent liabilities:			
Compensated Absences-noncurrent	22,128	16,785	38,913
Net Pension Liability	39,289	39,289	78,578
Accrued interest	11,852	-	11,852
General obligation bonds payable-noncurrent	<u>1,705,955</u>	<u>-</u>	<u>1,705,955</u>
Total noncurrent liabilities	<u>1,779,224</u>	<u>56,074</u>	<u>1,835,298</u>
Total liabilities	<u>2,007,516</u>	<u>78,532</u>	<u>2,086,048</u>
DEFERRED INFLOWS			
Pension Plan	<u>220,906</u>	<u>220,906</u>	<u>441,812</u>
NET POSITION			
Net investment in capital assets	7,489,899	1,164,763	8,654,662
Restricted-debt reserves	800,455	-	800,455
Unrestricted	<u>122,539</u>	<u>562,714</u>	<u>685,253</u>
Total net position	<u>\$ 8,412,893</u>	<u>\$ 1,727,477</u>	<u>\$ 10,140,370</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, 2018

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Combined Totals 2018</u>
OPERATING REVENUES			
Charges for services	\$ 1,391,068	\$ 1,283,454	\$ 2,674,522
Connection charges	49,370	2,500	51,870
Miscellaneous	<u>81,596</u>	<u>108,453</u>	<u>190,049</u>
Total operating revenues	<u>1,522,034</u>	<u>1,394,407</u>	<u>2,916,441</u>
OPERATING EXPENSES			
Personnel services	612,864	332,152	945,016
Fringe benefits	313,802	216,993	530,795
Contractual services	23,865	24,306	48,171
Utilities & Telephone	56,965	8,907	65,872
Materials & Supplies	181,637	40,084	221,721
Other charges	34,182	613,695	647,877
Depreciation	<u>343,953</u>	<u>122,440</u>	<u>466,393</u>
Total operating expenses	<u>1,567,268</u>	<u>1,358,577</u>	<u>2,925,845</u>
Operating income (loss)	<u>(45,234)</u>	<u>35,830</u>	<u>(9,404)</u>
NONOPERATING REVENUES (EXPENSES)			
Miscellaneous Income	-	-	-
Interest Income/(Expense)	(29,759)	-	(29,759)
Gain (Loss) on Sale of Assets	<u>237</u>	<u>524</u>	<u>761</u>
Total nonoperating revenue (expenses)	<u>(29,522)</u>	<u>524</u>	<u>(28,998)</u>
Income (loss) before contributions and transfers	<u>(74,756)</u>	<u>36,354</u>	<u>(38,402)</u>
Operating Transfer In/(Out)	328,243	-	328,243
Contribution from Other Governmental Units	<u>137,424</u>	<u>-</u>	<u>137,424</u>
Change in net position	<u>390,911</u>	<u>36,354</u>	<u>427,265</u>
Total net position, beginning	<u>8,021,982</u>	<u>1,691,123</u>	<u>9,713,105</u>
Total net position, ending	<u>\$ 8,412,893</u>	<u>\$ 1,727,477</u>	<u>\$ 10,140,370</u>

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

**TOWN OF WISE, VIRGINIA
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Combined Total 2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,316,760	\$ 1,284,814	\$ 2,601,574
Cash payments to suppliers	(337,880)	(722,114)	(1,059,994)
Cash payments to employees	(919,228)	(543,337)	(1,462,565)
Other operating revenues	81,596	108,453	190,049
Net cash provided (used) by operating activities	141,248	127,816	269,064
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Penalties and interest charges	-	-	-
Increase (decrease) in customer deposits	(1,510)	-	(1,510)
Net cash provided (used) by noncapital financing activities	(1,510)	-	(1,510)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(387,128)	(15,406)	(402,534)
Loan proceeds	477	-	477
Principal paid on revenue bond	(191,945)	-	(191,945)
Interest paid on revenue bonds	(43,807)	-	(43,807)
Interfund transfer	328,243	-	328,243
Sale of Equipment	1,462	1,068	2,530
Contributions and Grants	137,424	-	137,424
Net cash provided (used) by capital and related financing activities	(155,274)	(14,338)	(169,612)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	14,026	-	14,026
Net cash provided (used) by investing activities	14,026	-	14,026
Net increase (decrease) in cash and cash equivalents	(1,510)	113,478	111,968
Cash balances, beginning	904,435	464,028	1,368,463
Cash balances, ending	<u>\$ 902,925</u>	<u>\$ 577,506</u>	<u>\$ 1,480,431</u>

Disclosure of Accounting Policy

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

**TOWN OF WISE, VIRGINIA
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018**

**EXHIBIT 8
Page 2**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total 2018</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ (45,234)	\$ 35,830	\$ (9,404)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	343,953	122,440	466,393
Change in Assets & Liabilities:			
(Increase) decrease in accounts receivable	(123,678)	(1,140)	(124,818)
Increase (Decrease) in accounts payable	(23,332)	(52,843)	(76,175)
Increase (Decrease) in accrued wages & liabilities	3,473	3,045	6,518
Increase (Decrease) in accrued vacation	3,965	2,763	6,728
Increase (Decrease) in net pension liability	(192,763)	(134,749)	(327,512)
Increase (Decrease) in pension plan deferrals	<u>174,864</u>	<u>152,470</u>	<u>327,334</u>
Total adjustments	<u>186,482</u>	<u>91,986</u>	<u>278,468</u>
Net cash provided by operating activities	<u>\$ 141,248</u>	<u>\$ 127,816</u>	<u>\$ 269,064</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, 2018

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, 2018

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, 2018

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, 2018**

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 \$113,358 at June 30, 2018, and is composed of the following:

	<u>Amount</u>
<u>General Fund:</u>	
Property Tax Receivable	\$ 11,982
Garbage Receivable	9,735
<u>Water Fund:</u>	
Accounts Receivable	45,044
<u>Sewer Fund:</u>	
Accounts Receivable	46,597
TOTAL	<u>\$113,358</u>

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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	\$ 19,582	
Coal Road Improvement	<u>6,728</u>	
Total Treasurer of Wise County		\$ <u>26,310</u>
 <u>Commonwealth of Virginia:</u>		
Department of Health	39,428	
Miscellaneous Taxes	<u>67,480</u>	
Total Commonwealth of Virginia		<u>106,908</u>
 <u>Federal Agencies:</u>		
Department of Transportation	2,314	
Department of Health	<u>135,516</u>	
Total Federal Agencies		<u>137,830</u>
 TOTAL DUE		 <u>\$ 271,048</u>

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 \$542,484 as of June 30, 2018 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 \$899,746 as of June 30, 2018. \$16,122 of that amount includes uncollected tax billings not available for funding of current expenditures, and \$883,624 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:

	BALANCE BEGINNING	ADDITIONS	DELETIONS	BALANCE ENDING
Land, non-depreciable	\$ 1,991,892	\$ -	\$ -	\$ 1,991,892
Buildings	2,886,030	29,782	-	2,915,812
Infrastructure	8,772,307	329,121	-	9,101,428
Equipment	3,105,316	233,491	278,561	3,060,246
TOTAL	\$ 16,755,545	\$ 592,394	\$ 278,561	17,069,378
Less: Accumulated Depreciation				(7,715,174)
NET				\$ 9,354,204

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

General government	\$ 4,933
Public Safety	72,010
Public Works	421,892
Parks, Recreation, & Cultural	88,569
Community Development	81,012
Total depreciation expense	\$ 668,416

**TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7: PROPRIETARY CAPITAL ASSETS

A summary of proprietary fund property, plant and equipment at June 30, 2018 follows:

	Water	Sewer
Land	\$ 209,750	\$ 86,250
Buildings	208,522	80,736
Improvements other than Buildings	12,375,982	4,747,452
Equipment	917,723	405,996
TOTAL	13,711,977	5,320,434
Less: Accumulated Depreciation	(4,431,554)	(4,155,671)
NET	\$ 9,280,423	\$ 1,164,763

NOTE 8: LONG-TERM DEBT

Details of Long-Term Indebtedness:

	<u>AMOUNT OUTSTANDING</u>
GOVERNMENTAL FUND:	
Total Compensated Absences	\$ 70,553
Total Governmental Long-term Obligation Debt	\$ 70,553

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. \$ 1,100,900

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. 689,147

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8: LONG-TERM DEBT (continued)

**AMOUNT
OUTSTANDING**

ENTERPRISE FUND:

General Obligation Bonds:

A \$40,000 General Obligation Water and Sewer Bond was issued September 27, 2017 through Virginia Resources Authority at a rate of 2.75% per year. Semi-annual payments of combined principal and interest in the amount of \$994.15 shall be payable beginning on January 1, 2019.

	\$ 477
Total General Obligation Bonds	1,790,524
Total Compensated Absences	41,237
Total Enterprise Long-term obligation Debt	\$ 1,831,761

Changes in Long-Term Debt:

The following is a summary of long-term debt transactions of the Town for the Year ended June 30, 2018:

Primary Government	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Due Within One Year
<u>Governmental Activities:</u>					
N/A	\$ -	\$ -	\$ -	\$ -	\$ -
Total Governmental Activities	-	-	-	-	-
<u>Business-Type Activities:</u>					
General Obligation Refunding-Series 2016	1,170,000	-	69,100	1,100,900	70,600
General Obligation Bond-Series 2011B	702,338	-	13,191	689,147	13,525
General Obligation Bond-Series 2015B	109,654	-	109,654	-	-
General Obligation Bond-Series 2017	-	477	-	477	444
Total Business-Type Activities	1,981,992	477	191,945	1,790,524	84,569
Total Primary Government	\$ 1,981,992	\$ 477	\$ 191,945	\$ 1,790,524	\$ 84,569

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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
2019	\$ 84,569	\$ 42,001	\$ 126,570
2020	86,100	39,511	125,611
2021	88,117	37,527	125,644
2022	90,177	35,495	125,672
2023	92,245	33,416	125,661
2024-2028	493,891	134,185	628,076
2029-2033	409,310	76,163	485,473
2034-2038	103,454	49,546	153,000
2039-2043	117,213	35,787	153,000
2043-2048	132,803	20,197	153,000
2049-2053	92,645	3,798	96,443
TOTALS	<u>\$ 1,790,524</u>	<u>\$ 507,626</u>	<u>\$ 2,298,150</u>

**TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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.</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.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

		<p>depends on the member and employer contributions made to the plan and the investment performance of those contributions.</p> <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement</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>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</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 <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</p>

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<p>Plan and remain as Plan 1 or ORP.</p>	<p>Plan and remain as Plan 2 or ORP.</p>	<p>under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</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 and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>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 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>

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		<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 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.

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		<ul style="list-style-type: none"> • 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 benefit. The retirement multiplier for non-hazardous duty members is 1.70%</p>	<p>Service Retirement Multiplier VRS: The same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will</p>

**TOWN OF WISE, VIRGINIA
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<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>Sheriffs and regional jail superintendents: Not Applicable</p> <p>Political Subdivision hazardous duty employees: Same as Plan 1.</p>	<p>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 <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest 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 with at least 25 years of creditable service.</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 <u>Defined Benefit Component:</u> 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> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

TOWN OF WISE, VIRGINIA
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<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>Earliest Reduced Retirement Eligibility Defined Benefit Component: VRS: Age 60 with at least five years (60 months) of creditable service.</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>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>Eligibility: 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 service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p>Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31)</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>Eligibility: Same as Plan 1</p> <p>Exceptions to COLA Effective Dates: Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2</p> <p>Defined Contribution Component: Not applicable</p> <p>Eligibility: Same as Plan 1 and Plan 2</p> <p>Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2</p>

**TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

<p>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>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions (Including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are</p>

**TOWN OF WISE, VIRGINIA
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		subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
<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. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <p><u>Defined Contribution Component:</u> Not applicable</p>

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9: PENSION PLAN (continued)

Employees Covered by Benefit Terms – As of June 30, 2016 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	24
Inactive Members:	
Vested Inactive Members	5
Non-vested Inactive Members	3
Active Elsewhere in VRS	<u>14</u>
Total Inactive Members	22
Active Members	<u>48</u>
Total Covered Employees	<u>94</u>

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

The Town’s contractually required contribution rate for the year ended June 30, 2018 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 \$162,496 and \$151,974 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability – The Town’s net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2016, 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, 2017.

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:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

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

Post-Disablement:

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

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

Largest 10 – Non-Hazardous Duty

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

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

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

Actuarial Assumptions – Public Safety Employees – The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town of Wise Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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*

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9: PENSION PLAN (continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

**TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9: PENSION PLAN (continued)

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

Largest 10 – Hazardous Duty

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

All Others (Non 10 Largest) – Hazardous Duty

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

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9: PENSION PLAN (continued)

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

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

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rate equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, 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, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2016	\$10,453,738	\$9,486,857	\$966,881
Changes for the year:			
Service Cost	220,610		220,610
Interest	708,642		708,642
Changes in benefit terms	0		0
Changes in assumptions	(38,071)		(38,071)
Differences between expected and actual experience	(338,765)		(338,765)
Contributions – Employer		150,412	(150,412)
Contributions – Employee		100,363	(100,363)
Net Investment Income		1,119,050	(1,119,050)
Benefit payments, including refunds of employee contributions	(660,550)	(660,550)	0
Administrative Expenses		(6,688)	6,688
Other Changes	0	(996)	996
Net Changes	(108,134)	701,591	(809,725)
<u>S</u> <u>e</u> Balances at June 30, 2017	\$10,345,604	\$10,188,448	\$157,156

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

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
Town of Wise, Virginia’s Net Pension Liability	\$1,654,221	\$157,156	\$(1,081,539)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended June 30, 2018, the Town recognized pension expense of (\$36,128). At June 30, 2018, 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, 2018

NOTE 9: PENSION PLAN (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 342,413
Changes in assumptions	0	29,176
Net differences between projected and actual earnings on plan investments	0	132,047
Employer contributions subsequent to the measurement date	<u>162,496</u>	<u>0</u>
Total	<u>\$ 162,496</u>	<u>\$ 503,636</u>

Deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date in the amount of \$162,496 will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. 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>	
2019	\$ (223,231)
2020	(72,994)
2021	(88,842)
2022	(118,569)
2023	0
Thereafter	0

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

NOTE 10: CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES

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

**TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

accrued vacation pay totaling \$70,553 in the General Long-Term Obligation Account Group, \$24,587 in the Water Fund, and \$18,650 in the Sewer Fund, with \$7,055; \$2,459; and \$1,865 respectively, expected to be paid within one year.

NOTE 11: LITIGATION

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

NOTE 12: SURETY BONDS

Position Fidelity Schedule Bond:

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

NOTE 13: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest Paid-Proprietary Fund – Cash paid interest expense relating to debt for the year ended June 30, 2018 amounted to \$43,807.

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

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

Purpose

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

Components of Fund Balance

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

Committed Fund Balance Policy

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

Assigned Fund Balance Policy

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

Minimum Unassigned Fund Balance Policy

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

**TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

Resource Flow Policy

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

NOTE 15: OTHER POST-EMPLOYMENT BENEFITS

PLAN DESCRIPTION

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

Health Plan Eligibility

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

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

A. Health Plan Benefits

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

B. Retiree and Employer Contributions

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 15: OTHER POST-EMPLOYMENT BENEFITS (continued)

C. Disability Retirement Benefit

The Plan does not include any disability retirement benefits.

D. Death Benefit

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

E. Withdrawal Benefit

The Plan does not include a withdrawal benefit.

F. Benefit Service

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

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

Actuarial Assumptions and Methods— The retirement, withdrawal, mortality, and disability assumptions used are consistent with those used in the June 30, 2017 valuation of the Virginia Retirement System. In addition, the following assumptions specific to other post-employment benefits were used:

Discount Rate: A 3.50% discount rate was used as of June 30, 2018 for purposes of measuring the plan's June 30, 2018 Total OPEB Liability.

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

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

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

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 15: OTHER POST-EMPLOYMENT BENEFITS (continued)

Changes in Total OPEB Liability	Increase/(Decrease)
Balance as of June 30, 2017	\$494,146
Changes during Year:	
Service Cost	15,904
Interest on Total OPEB Liability	17,515
Effect of Plan Changes	0
Effect of Economic/Demographic Gains or Losses	0
Effect of Assumptions Changes or Inputs	0
Benefit Payments	<u>(19,351)</u>
Balance as of June 30, 2018	\$508,214

Sensitivity Analysis

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

	1% Decrease (2.50%)	Current Rate (3.50%)	1% Increase (4.50%)
Town of Wise, Virginia's Total OPEB Liability	\$562,384	\$508,214	\$459,357

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

	1% Decrease in Trend Rate	Current Trend Rate	1% Increase In Trend Rate
Town of Wise, Virginia's Total OPEB Liability	\$444,782	\$508,214	\$584,203

TOWN OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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:

- 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. This went into effect for the Town during the fiscal year that ended June 30, 2018.



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SCHEDULES OF CAPITAL ASSETS

**TOWN OF WISE, VIRGINIA
 SCHEDULE OF CAPITAL ASSETS BY SOURCE
 FOR THE YEAR ENDED JUNE 30, 2018**

EXHIBIT 9

	TOTAL
CAPITAL ASSETS	
Land	\$ 2,287,892
Building and Building Improvements	3,205,070
Infrastructure	26,224,862
Equipment	4,383,965
Total Capital Assets	\$ 36,101,789
 INVESTMENT IN CAPITAL ASSETS BY SOURCE	
Enterprise Fund Revenues	\$ 17,241,887
Enterprise Fund Indebtedness	1,790,524
General Fund Revenues	17,069,378
General Fund Indebtedness	-
Total Investment in Capital Assets	\$ 36,101,789

**TOWN OF WISE, VIRGINIA
SCHEDULE OF CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2018**

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	\$ -	\$ 74,673	\$ 3,833,726
Judicial Administration	-	-	-	-	-
Public Safety	-	941,239	-	1,527,553	2,468,792
Public Works	-	200,335	5,210,522	1,340,921	6,751,778
Health & Welfare	-	-	-	-	-
Education	-	-	-	-	-
Parks, Recreation & Cultural	-	7,077	2,029,056	85,488	2,121,621
Community Development	-	-	1,861,850	31,611	1,893,461
Total Governmental	<u>1,991,892</u>	<u>2,915,812</u>	<u>9,101,428</u>	<u>3,060,246</u>	<u>17,069,378</u>
Business-Type:					
Water	209,750	208,522	12,375,982	917,723	13,711,977
Sewer	86,250	80,736	4,747,452	405,996	5,320,434
Total Business-Type	<u>296,000</u>	<u>289,258</u>	<u>17,123,434</u>	<u>1,323,719</u>	<u>19,032,411</u>
TOTAL CAPITAL ASSETS BY FUNCTION (excluding depreciation)	<u><u>\$ 2,287,892</u></u>	<u><u>\$ 3,205,070</u></u>	<u><u>\$ 26,224,862</u></u>	<u><u>\$ 4,383,965</u></u>	<u><u>\$ 36,101,789</u></u>



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SUPPLEMENTARY SCHEDULES

**TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF REVENUES - BUDGET & ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

**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	\$ 556,500	\$ 556,500	\$ 612,272	\$ 55,772
Real & Personal Public Service				
Corporation Property Taxes	14,000	14,000	20,393	6,393
Personal Property Taxes	125,240	125,240	143,627	18,387
Penalties & Interest	12,000	12,000	21,120	9,120
PROPERTY TAXES	<u>707,740</u>	<u>707,740</u>	<u>797,412</u>	<u>89,672</u>
Other Local Taxes:				
Local Sales & Use Taxes	100,000	100,000	101,920	1,920
Consumer Utility Taxes	72,000	72,000	83,246	11,246
Consumption Tax	11,000	11,000	15,391	4,391
Business License Taxes	358,310	358,310	383,215	24,905
Franchise License Taxes	4,500	4,500	4,469	(31)
Motor Vehicle Licenses	-	-	-	-
Bank Stock Taxes	145,000	145,000	193,462	48,462
Transient Lodging Taxes	80,000	80,000	83,848	3,848
Coal Road Improvement Taxes	15,000	15,000	23,234	8,234
Cigarette Tax	55,000	55,000	47,683	(7,317)
Meal Tax	995,000	995,000	1,234,455	239,455
	<u>1,835,810</u>	<u>1,835,810</u>	<u>2,170,923</u>	<u>335,113</u>
Permits, Privilege Fees & Regulatory Licenses:				
Animal License	-	-	-	-
Permits	100	100	825	725
REGULATORY LICENSES	<u>100</u>	<u>100</u>	<u>825</u>	<u>725</u>
Fines & Forfeitures	10,020	10,020	12,440	2,420
Revenue From Use of Money & Property:				
Interest and Rent Revenue	22,200	22,200	59,010	36,810
TOTAL REVENUE FROM USE OF MONEY & PROPERTY	<u>22,200</u>	<u>22,200</u>	<u>59,010</u>	<u>36,810</u>

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

**TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF REVENUES - BUDGET & ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

**SCHEDULE 1
Page 2**

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund: (continued)				
Charges For Services:				
Charges For Parks & Recreation	\$ 51,000	\$ 51,000	\$ 46,953	\$ (4,047)
Charges For Sanitation & Waste Removal	290,300	290,300	281,669	(8,631)
TOTAL CHARGES FOR SERVICES	341,300	341,300	328,622	(12,678)
Miscellaneous Revenue:				
Sale of Cemetery Plots	1,000	1,000	11,346	10,346
Sale of Property	100	100	18,615	18,515
County of Wise-Payment in Lieu of Taxes	-	-	-	-
Coal Severance Committee Appropriation	57,500	57,500	37,483	(20,017)
Miscellaneous	107,270	107,270	52,572	(54,698)
TOTAL MISCELLANEOUS REVENUE	165,870	165,870	120,016	(45,854)
TOTAL REVENUE FROM LOCAL SOURCES	3,083,040	3,083,040	3,489,248	406,208
Revenue From The Commonwealth:				
Non-Categorical Aid:				
Mobile Home Titling Tax	9,000	9,000	11,431	2,431
Rolling Stock Tax	10	10	11	1
Car Rental Tax	500	500	2,126	1,626
Financial Assistance To Police Dept.	76,000	76,000	79,460	3,460
PPTRA Tax Relief	57,000	57,000	114,785	57,785
Communications Sales & Use Tax	100,000	100,000	98,834	(1,166)
TOTAL NON-CATEGORICAL AID	242,510	242,510	306,647	64,137
Categorical Aid:				
Other Categorical Aid:				
Street & Highway Maintenance	515,000	515,000	542,407	27,407
Litter Grant	1,900	1,900	1,819	(81)
Fire Programs	10,000	10,000	10,986	986
Virginia Commission of Arts	5,000	5,000	-	(5,000)
Byrnes Justice Grants	3,300	3,300	2,480	(820)
VDOT Enhancement Grant	525,000	525,000	-	(525,000)
VDEM-HMGP	411,800	411,800	-	-
VDOT SGR	298,100	298,100	-	(298,100)
VDOT MAP 21	565,040	565,040	-	(565,040)
DMV Highway Safety Grant	10,000	10,000	4,967	(5,033)
TOTAL CATEGORICAL AID	2,345,140	2,345,140	562,659	(1,782,481)
TOTAL REVENUE FROM THE COMMONWEALTH	2,587,650	2,587,650	869,306	(1,718,344)

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

TOWN OF WISE, VIRGINIA
 GOVERNMENTAL FUND
 STATEMENT OF REVENUES - BUDGET & ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

SCHEDULE 1
 Page 3

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund: (continued)				
Revenue From The Federal Government:				
Categorical Aid:				
Byrnes Justice Grants	\$ -	\$ -	\$ -	\$ -
FEMA-HMGP	1,544,250	1,544,250	-	(1,544,250)
DMV Highway Safety Grant	-	-	-	-
FHA-HSIP-RR Avenue & School	188,100	188,100	-	(188,100)
Selective Enforcement Grant	12,000	12,000	10,374	(1,626)
RD-CF Grant Police Cars & Garbage Truck	2,500	2,500	28,500	26,000
TOTAL CATEGORICAL AID	<u>1,746,850</u>	<u>1,746,850</u>	<u>38,874</u>	<u>(1,707,976)</u>
TOTAL REVENUE FROM THE FEDERAL GOVT.	<u>1,746,850</u>	<u>1,746,850</u>	<u>38,874</u>	<u>(1,707,976)</u>
Suppl. Approp. From Prior Year Fund Bal.	2,011,700	2,011,700	-	(2,011,700)
TOTAL GENERAL FUND	<u>\$ 9,429,240</u>	<u>\$ 9,429,240</u>	<u>\$ 4,397,428</u>	<u>\$ (5,031,812)</u>

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

**TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

**SCHEDULE 2
Page 1**

FUND, MAJOR & MINOR EXPENDITURE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Government Administration:				
Legislative:				
Town Council	\$ 45,990	\$ 45,990	\$ 43,912	\$ 2,078
TOTAL LEGISLATIVE	<u>45,990</u>	<u>45,990</u>	<u>43,912</u>	<u>2,078</u>
General & Financial Administration:				
Employee Benefits	217,170	217,170	11,803	205,367
Manager	112,020	112,020	103,956	8,064
Professional Services	44,030	44,030	23,701	20,329
Treasurer	193,200	193,200	161,932	31,268
Risk Management	150,430	150,430	119,073	31,357
Data Processing	73,480	73,480	69,620	3,860
TOTAL GENERAL & FINANCIAL ADMINISTRATION	<u>790,330</u>	<u>790,330</u>	<u>490,085</u>	<u>300,245</u>
TOTAL GENERAL GOVERNMENT ADMINISTRATION	<u>836,320</u>	<u>836,320</u>	<u>533,997</u>	<u>302,323</u>
Public Safety:				
Law Enforcement & Traffic Control:				
Police Department	1,236,300	1,236,300	1,054,239	182,061
TOTAL LAW ENFORCEMENT & TRAFFIC CONTROL	<u>1,236,300</u>	<u>1,236,300</u>	<u>1,054,239</u>	<u>182,061</u>
Fire & Rescue Services:				
Volunteer Fire Department	86,800	86,800	84,074	2,726
Ambulance & Rescue Service	15,000	15,000	15,000	-
TOTAL FIRE & RESCUE SERVICES	<u>101,800</u>	<u>101,800</u>	<u>99,074</u>	<u>2,726</u>
Correction & Detention:				
Court Expense	1,000	1,000	-	1,000
TOTAL COURT EXPENSE	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>

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

**TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

**SCHEDULE 2
Page 2**

FUND, MAJOR & MINOR EXPENDITURE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Public Safety: (continued)				
Animal Control:				
Animal Control	\$ -	\$ -	\$ -	\$ -
TOTAL ANIMAL CONTROL	-	-	-	-
TOTAL PUBLIC SAFETY	<u>1,339,100</u>	<u>1,339,100</u>	<u>1,153,313</u>	<u>185,787</u>
Public Works:				
Maintenance of Highways, Streets, Bridges, and Sidewalks:				
General Administration	52,550	52,550	41,979	10,571
Storm Drainage	2,065,000	2,065,000	3,636	2,061,364
Street Maintenance	3,032,750	3,032,750	805,430	2,227,320
Street Lights	66,000	66,000	62,703	3,297
Snow & Ice Removal	92,520	92,520	53,413	39,107
TOTAL MAINTENANCE OF HIGHWAYS, STREETS, BRIDGES, & SIDEWALKS	<u>5,308,820</u>	<u>5,308,820</u>	<u>967,161</u>	<u>4,341,659</u>
Sanitation & Waste Removal:				
General Engineering/Administration:				
Solid Waste Removal	465,075	465,075	410,486	54,589
TOTAL SANITATION & WASTE REMOVAL	<u>465,075</u>	<u>465,075</u>	<u>410,486</u>	<u>54,589</u>
Maintenance of General Buildings and Grounds:				
General Engineering/Administration:				
General Properties	131,700	131,700	87,833	43,867
TOTAL MAINTENANCE OF GENERAL BUILDINGS & GROUNDS	<u>131,700</u>	<u>131,700</u>	<u>87,833</u>	<u>43,867</u>
TOTAL PUBLIC WORKS	<u>5,905,595</u>	<u>5,905,595</u>	<u>1,465,480</u>	<u>4,440,115</u>
Health and Welfare:				
Welfare Social Service:				
Property Tax Relief for Elderly	5,000	5,000	4,603	397
TOTAL HEALTH AND WELFARE	<u>5,000</u>	<u>5,000</u>	<u>4,603</u>	<u>397</u>

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

**TOWN OF WISE, VIRGINIA
GOVERNMENTAL FUND
STATEMENT OF EXPENDITURES - BUDGET & ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

**SCHEDULE 2
Page 3**

FUND, MAJOR & MINOR EXPENDITURE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Parks, Recreation & Cultural:				
Parks & Recreation:				
Parks and Play Grounds	\$ 55,800	\$ 55,800	\$ 36,224	\$ 19,576
Swimming Pool	134,500	134,500	115,393	19,107
Cemeteries	-	-	-	-
TOTAL PARKS & RECREATION	<u>190,300</u>	<u>190,300</u>	<u>151,617</u>	<u>38,683</u>
Cultural Enrichment:				
Pro Art Association	8,000	8,000	4,000	4,000
Library Art Gallery	2,000	2,000	1,000	1,000
Friends of South West Virginia	1,000	1,000	1,000	-
Regional Library	9,000	9,000	9,000	-
Planning	59,250	59,250	-	59,250
TOTAL CULTURAL ENRICHMENT	<u>79,250</u>	<u>79,250</u>	<u>15,000</u>	<u>64,250</u>
TOTAL PARKS, RECREATION, & CULTURAL	<u>269,550</u>	<u>269,550</u>	<u>166,617</u>	<u>102,933</u>
Community Development:				
Planning & Community Development:				
Planning	147,270	147,270	136,315	10,955
Cumberland Airport Commission	3,000	3,000	3,000	-
WBA-Fall Fling	5,000	5,000	5,000	-
Miscellaneous	1,250	1,250	-	1,250
TOTAL COMMUNITY DEVELOPMENT	<u>156,520</u>	<u>156,520</u>	<u>144,315</u>	<u>12,205</u>
Debt Service:				
Principal Curtailments	-	-	-	-
Interest & Fiscal Charges	-	-	-	-
TOTAL DEBT SERVICE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfer to Water/Sewer Fund	817,155	817,155	328,243	488,912
Reserve for Contingencies	100,000	100,000	1,750	98,250
TOTAL GENERAL FUND	<u>\$ 9,429,240</u>	<u>\$ 9,429,240</u>	<u>\$ 3,798,318</u>	<u>\$ 5,630,922</u>

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

SCHEDULE 3

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

FISCAL YEAR	GENERAL PROPERTY TAXES	OTHER LOCAL TAXES	FINES AND FORFEITURES	PERMITS, PRIVILEGE FEES & REGULATORY LICENSES	CHARGES FOR SERVICES	MISCELLANEOUS	REVENUE FROM USE OF MONEY AND PROPERTY	INTER-GOVERNMENTAL	TOTAL
2018	\$ 797,412	\$ 2,170,923	\$ 12,440	\$ 825	\$ 328,622	\$ 120,016	\$ 59,010	\$ 908,180	\$ 4,397,428
2017	791,340	2,196,980	14,371	1,025	329,840	62,110	39,866	826,380	4,261,912
2016	808,460	2,182,802	19,889	525	332,696	61,178	39,773	932,629	4,377,952
2015	659,443	2,042,875	17,340	547	363,970	80,249	27,567	1,273,487	4,465,478
2014	637,575	1,989,857	15,097	475	357,512	80,002	25,269	753,219	3,859,006
2013	637,442	2,196,320	17,386	1,562	283,810	188,027	23,813	919,813	4,268,173
2012	638,392	1,965,533	16,637	1,674	292,545	141,993	29,979	1,107,713	4,194,466
2011	612,985	2,103,473	17,586	2,304	296,925	214,324	50,296	1,466,638	4,764,531
2010	593,612	2,120,307	19,207	1,289	290,139	152,901	72,512	769,721	4,019,688
2009	545,798	2,047,941	25,528	2,344	252,195	114,685	113,235	618,075	3,719,801

SCHEDULE 4

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

FISCAL YEAR	GENERAL ADMINISTRATION	PARKS,										TOTAL
		PUBLIC SAFETY	PUBLIC WORKS	RECREATION AND CULTURAL	HEALTH AND WELFARE	COMMUNITY DEVELOPMENT	NON DEPARTMENTAL	DEBT SERVICE				
2018	\$ 535,747	\$ 1,153,313	\$ 1,465,480	\$ 166,617	\$ 4,603	\$ 144,315	\$ 328,243	\$ -	\$ -	\$ 3,798,318		
2017	513,477	1,061,477	1,387,571	347,498	11,494	114,089	589,612	-	-	4,025,218		
2016	475,411	1,103,005	1,316,624	171,630	19,182	110,186	-	-	-	3,196,038		
2015	451,939	1,071,881	1,747,530	161,155	2,221	104,539	489,804	-	-	4,029,069		
2014	481,195	1,118,698	1,193,519	120,040	4,939	135,093	320,800	66,745	66,745	3,441,029		
2013	518,891	1,174,226	1,289,243	156,531	5,678	131,408	-	66,745	66,745	3,342,722		
2012	490,230	1,592,775	1,326,770	213,748	9,920	354,995	-	66,745	66,745	4,055,183		
2011	481,126	1,216,251	1,353,447	186,666	6,398	1,447,764	-	66,745	66,745	4,758,397		
2010	460,570	1,173,552	1,436,894	236,987	7,881	236,029	-	66,745	66,745	3,618,658		
2009	424,020	1,182,865	1,680,823	259,604	6,230	264,672	-	66,745	66,745	3,884,959		

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
2018	\$ 206,529,160	\$ 27,182,190	\$ 3,960,311	\$ 6,388,188	\$ 244,059,849
2017	209,938,260	28,179,654	4,250,151	6,278,177	248,646,242
2016	208,334,290	29,301,732	3,853,631	6,497,010	247,986,663
2015	202,017,551	36,203,962	1,756,226	5,915,448	245,893,188
2014	202,083,590	31,598,169	4,830,910	6,001,305	244,513,974
2013	200,577,948	32,019,501	4,356,590	5,711,257	242,665,296
2012	199,270,789	34,311,994	1,940,981	3,977,500	239,501,264
2011	196,135,891	30,363,988	4,106,290	4,603,246	235,209,415
2010	194,439,215	29,851,736	4,050,805	4,884,009	233,225,765
2009	160,596,939	32,721,952	4,319,930	3,098,502	200,737,323

PROPERTY TAX RATES
LAST TEN YEARS

FISCAL YEARS	REAL ESTATE	PERSONAL PROPERTY	MOBILE HOMES	PUBLIC UTILITY
2018	0.300	0.630	0.630	Various
2017	0.300	0.630	0.630	Various
2016	0.300	0.630	0.630	Various
2015	0.245	0.530	0.530	Various
2014	0.245	0.530	0.530	Various
2013	0.245	0.530	0.245	Various
2012	0.245	0.530	0.245	Various
2011	0.245	0.530	0.245	Various
2010	0.245	0.530	0.245	Various
2009	0.245	0.530	0.245	Various

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

SCHEDULE 6

FISCAL YEAR	TOTAL (1) TAX LEVY	CURRENT TAX (1) COLLECTIONS	PERCENT OF LEVY COLLECTED	DELINQUENT (1) TAX (2) COLLECTIONS	TOTAL TAX COLLECTIONS	PERCENT OF		DELINQUENT TAXES TO TAX LEVY
						TOTAL TAX COLLECTIONS OF TAX LEVY	OUTSTANDING (1) DELINQUENT TAXES	
2018	\$ 787,664	\$ 734,967	93.31%	\$ 20,520	\$ 755,487	95.91%	\$ 51,775	6.57%
2017	793,050	764,051	96.34%	23,724	787,775	99.33%	43,254	5.45%
2016	785,626	752,350	95.76%	33,246	785,596	100.00%	42,974	5.47%
2015	696,132	610,699	87.73%	35,436	646,135	92.82%	23,526	3.38%
2014	681,582	601,143	88.20%	13,389	614,532	90.16%	39,594	5.81%
2013	612,258	604,307	98.70%	13,936	618,243	100.98%	43,702	7.14%
2012	664,052	600,317	90.40%	21,834	622,151	93.69%	44,850	6.75%
2011	658,603	576,569	87.54%	20,140	596,709	90.60%	44,189	6.71%
2010	670,880	634,711	94.61%	8,757	643,468	95.91%	29,712	4.43%
2009	576,329	565,569	98.13%	10,760	589,694	102.32%	25,506	4.43%

Notes:

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

SCHEDULE 7

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

FISCAL YEAR	POPULATION (1)	ASSESSED VALUE (IN THOUSANDS)	GROSS BONDED DEBT (2)	LESS:			NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
				DEBT SERVICE MONIES AVAILABLE	DEBT PAYABLE FROM ENTERPRISE REVENUES	NET BONDED DEBT			
2018	3,286	\$ 244,060	\$ 1,790,524	-	\$ 1,790,524	-	-	\$ -	-
2017	3,286	248,646	1,981,992	-	1,981,992	-	-	-	-
2016	3,286	247,987	3,555,012	-	3,555,012	-	-	-	-
2015	3,286	245,893	2,954,345	-	2,954,345	-	-	-	-
2014	3,286	244,514	2,992,243	-	2,992,243	-	-	-	-
2013	3,286	242,665	3,083,616	-	3,018,828	64,788	0.0003	19.72	19.72
2012	3,286	239,501	2,278,457	-	2,150,963	127,494	0.0005	38.80	38.80
2011	3,255	235,209	204,547	-	16,273	188,274	0.0008	57.84	57.84
2010	3,255	233,226	279,232	-	32,046	247,186	0.0011	75.94	75.94
2009	3,255	200,737	351,622	-	47,335	304,287	0.0015	93.48	93.48

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

TOWN OF WISE, VIRGINIA
 REQUIRED SUPPLEMENTARY INFORMATION
 TOWN OF WISE PLAN

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>***</u>
Total OPEB Liability		
Service Cost	\$ 15,904	
Interest on Total OPEB Liability	17,515	
Changes of Benefit Terms	-	
Effect of Economic/Demographic Gains or (Losses)	-	
Effect of Assumption Changes or Inputs	-	
Benefit Payments	(19,351)	
Net Change in Total OPEB Liability	\$ 14,068	
Total OPEB Liability, Beginning of Year	\$ 494,146	
Total OPEB Liability, End of Year	\$ 508,214	
Covered Payroll	\$ 2,173,974	
Total OPEB Liability as a % of Covered Payroll	23.38%	

*** This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

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

SCHEDULE 9

Legal Debt Limit	
10% of Assessed Value Of Taxable Real Estate (Including Public Utility Real Estate) (\$212,917,348 x .10)	\$ 21,291,735
Deduct	
Bonds Payable	<u>(1,790,524)</u>
Legal Margin For Creation Of Additional Debt	<u>\$ 19,501,211</u>

TOWN OF WISE, VIRGINIA
SCHEDULE OF FUND BALANCES - GASB 54
JUNE 30, 2018

SCHEDULE 10

General Fund Balances:

Nonspendable:

Cemetery Saving \$ 417,825

Restricted for:

Asset forfeiture 9,235

Unassigned: 6,497,642

General Fund Balance June 30, 2018 \$6,924,702

TOWN OF WISE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
RETIREMENT PLAN
JUNE 30, 2018

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

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

TOWN OF WISE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
RETIREMENT PLAN
JUNE 30, 2018

Schedule of Employer Contributions
For the Years Ended June 30, 2009 through 2018

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)
2018	162,496	162,496	0	2,175,316	7.47%
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%

TOWN OF WISE, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
VRS RETIREMENT PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2017 are not material.

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

Largest 10 – Non-Hazardous Duty

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

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

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

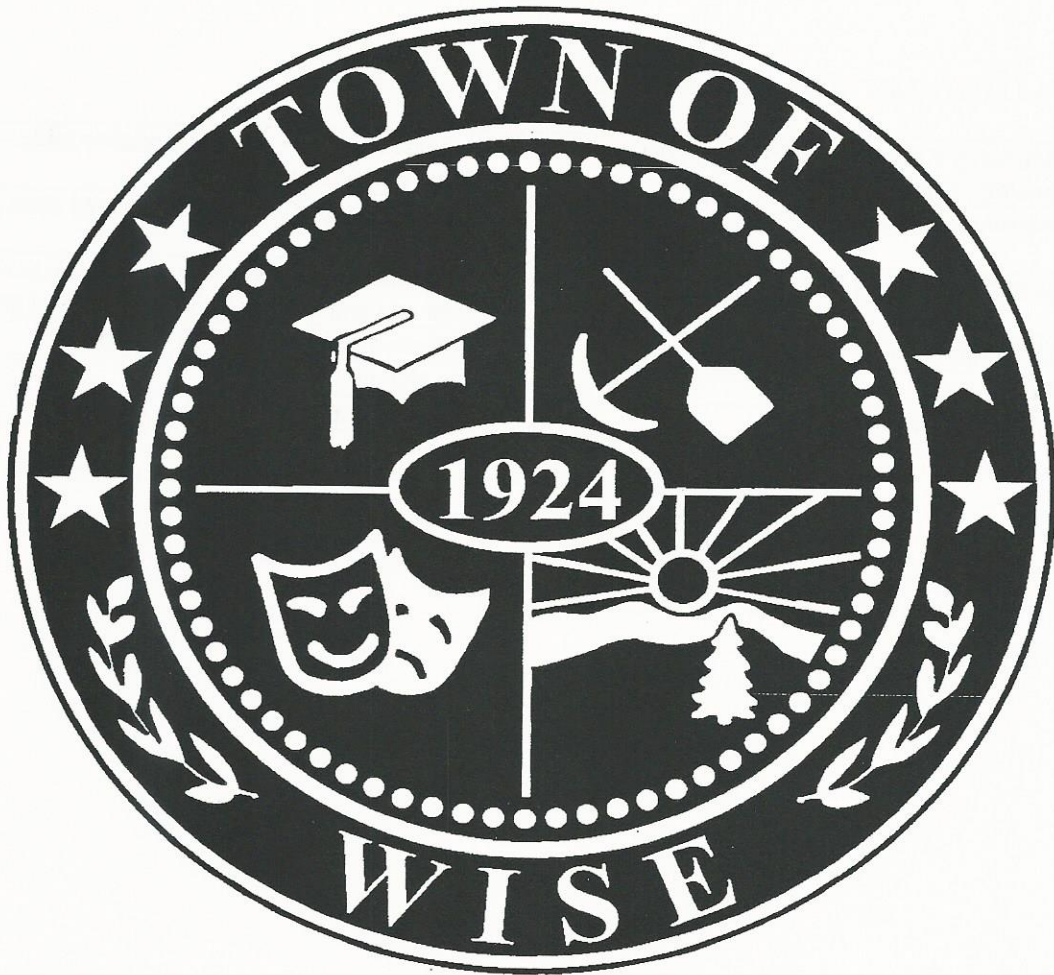
Largest 10 – Hazardous Duty

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

TOWN OF WISE, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
VRS RETIREMENT PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

All Others (Non 10 Largest) – Hazardous Duty

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



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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, 2018, 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, 2018.

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, 2018

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