

COUNTY OF WISE, VIRGINIA

AUDIT REPORT

JUNE 30, 2007

COUNTY OF WISE, VIRGINIA
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JUNE 30, 2007

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Wise County Board of Supervisors



Office of County Administrator

COURTHOUSE

WISE, VIRGINIA 24293

TELEPHONE 276-328-2321
FAX 276-328-9780

P.O. BOX 570
206 E. MAIN STREET

September 10, 2008

To The Honorable Members of the Board of Supervisors
To the Citizens of Wise County
County of Wise, Virginia

I am pleased to present the Comprehensive Annual Financial Report of the County of Wise, Virginia, for the fiscal year ended June 30, 2007. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. I believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

The management of the County is responsible for establishing and maintaining an internal control structure to ensure the protection of the County assets. In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be diverted; and (2) the valuation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. I believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

BUDGETARY CONTROLS

In addition to the internal accounting controls noted above, the County also maintains budgetary controls. These budgetary controls ensure compliance with provisions embodied in the annual appropriated budget approved by the Board of Supervisors. A budget is approved for the general, emergency numbers, sewer enterprise and landfill enterprise funds. Within the general fund budget, annual appropriations are made to supplement the emergency numbers, sewer and landfill funds.

As a recipient of federal and state financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations. The audit for the fiscal year ended June 30, 2007 has been completed and no material internal control weaknesses or material violations of laws and regulations have been found.

The County adopts an annual budget by July 1 of each year required by 15.2-2503, Code of Virginia of 1950, as amended. A budget is not required for fiduciary funds. When necessary, the Board of Supervisors approves amendments to the adopted budget in accordance with 15.2-2507, Code of Virginia of 1950, as amended. Budgetary compliance is mentioned and reported at the department level. The budget expenditures, as implemented through appropriations that the Board makes annually, may be greater or less than contemplated in the original budget.

THE REPORTING ENTITY AND ITS SERVICES

The County of Wise report includes all funds and account groups of the “primary government.” In Virginia, cities and counties are distinct units of government; therefore the County is responsible for providing all services normally provided by a local government. These services include public safety, social services, recreation and cultural activities and community development. For financial reporting purposes and in accordance with the Governmental Accounting Standards Board (GASB), Statement 14, “The Financial Reporting Entity,” the County has identified two discretely component units. The GASB statement establishes the criteria used in making this determination and identifies each as a blended component unit or discretely presented component unit. Blended component units, although legally separate entities, are, in substance, part of the primary government’s operations and are included as a part of the primary government. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government. Therefore, the County School Board and the Wise County Public Service Authority are reported in a discrete presentation. Based on GASB Statement 14 criteria, the School Board is a legally separate organization providing educational services to the public whose board is elected and is fiscally dependent on the local government.

The financial statements of the Wise County Industrial Development Authority are not included in the County report. These organizations are administered by Boards separate from and independent of the Board of Supervisors.

Local Economy

Wise County is located in Southwest Virginia, approximately 50 miles Northwest of Bristol, Virginia. The county encompasses a land area of 407 square miles with a population of 42, 409. U.S. routes 23 and 58 and State routes 68, 72, 74, 78, and 160 are the primary routes that traverse the County. Wise County has a diversified economy with manufacturing, trade services, coal mining, and agricultural sectors. Manufacturing activities includes: hardwood flooring, cabinetry, and steel molding and fabrication. Service industries include: technology call centers, telecommunications, food, health care, education, and government. Agriculture remains important in Wise County’s economy, with beef cattle the principal livestock and apples, vineyard grapes, tobacco and hay the cash crops.

Wise County continues to enjoy a favorable unemployment rate, along with the remainder of the state.

MAJOR INITIATIVES

For Fiscal Year 2007

Following the goals and objectives established by the County of Wise Board of Supervisors, and with the assistance and guidance of the County’s Administrator, County staff agencies implemented and continued a number of specific “programs” designed to provide County residents with cost efficient government while enhancing their home and employment environment.

Major initiatives begun, continued, or implemented this fiscal year are:

- Broadband Fiber Telecommunications nearing completion for the Wise County Industrial Park.
- With planning and early design work completed on the first route considered for the Lonesome Pine Technology Park Access Road, work now aggressively underway to secure funding for and VDOT 6 year plan approved for the new Innovation Highway for the Lonesome Pine Technology Park and UVA-Wise.
- 911 address verification and necessary update continue to greater insure first responder access to Wise County citizens.
- With significant progress made with installation of public water lines to serve constituents of rural areas, a great emphasis is now being placed on the development and enhancement of public sewer in areas with greater potential for economic development.
- Plans underway to secure VDOT recognition of Route 757 on the VDOT 6 year plan along with inclusion of the Innovation Highway on the 6 year plan.
- Emphasis being placed on sewer development for the Route 757 and Esserville areas.
- Land is now secured to assist the development of the Dominion Resources power plant in the St. Paul area.
- Proper attention is being given to the need to either expand or close the Wise County Landfill at Blackwood.
- Work continues with Dominion Resources to make available space at the Blackwood Landfill should it be needed for the Virginia City coal fueled power plant.

Prospects for the Future

The shell (Crutchfield) building is now full at Esserville, and a company is expected to take the other half of the Buster Brown building. The IDA continues to show the unused portion of the Verizon Building with a strong prospect for occupancy.

Continuing to recruit prospects for the Lonesome Pine Business and Technology Park.

Plans are now being developed to secure the availability of on-premises fiber for Wise County with a completion goal of 30 months.

Work continues in a cooperative effort with the Town of Wise and the Department of Housing and Community Development for the business district revitalization for the Town of Wise.

Work is now completed for the “Safest Place on Earth” campaign to enhance the attractiveness of Wise County as a place for safe business development.

Continuing to expand the cooperative effort between Wise County, the University of Virginia’s College at Wise and Mountain Empire Community College to enhance the ability of the citizens of the region to prepare for ever demanding change in the workforce. Efforts underway to better advertise the availability of funds for the math and science initiative for Wise County students.

Plans are underway for an investigative effort to determine the best use of the former jail building.

County continues to recognize the need for public sewer in areas subject to development and rural areas, with a recognition of need for a reasonable division of sewer funds being diverted to area for economic and residential development.

Work continues on efforts to secure funding for a sewer system to serve the VA KY District Fairgrounds.

Progress is being made on a study of the existing landfill property, as to the best and most efficient use of the property in the years to come and to compare the financial effectiveness of using the landfill to the continuation of hauling from transfer station.

Work continues for the Town of Wise and Wise community environs for Wi-Fi development.

For the 2007-2008 Fiscal Year, the Board of Supervisors has approved a General Fund Operating Budget of \$ 47,025,627.

Cash Management

Cash temporarily idle during the year was invested in time deposits and various authorized money market instruments. The amount of interest received was \$ 1,226,208. This is an increase from interest earned on temporary investments in Fiscal Year 2005-06 when the interest on investments totaled \$935,909.

OTHER INFORMATION

Management's Discussion and Analysis

Generally accepted accounting principles require management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County of Wise's MD&A can be found immediately following the report of the independent auditors.

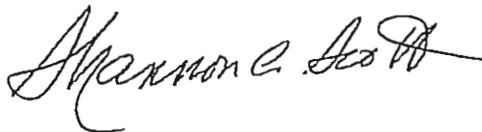
Independent Auditor

The Commonwealth of Virginia requires an annual audit of the financial records and transactions of all departments of the County by independent certified public accountants selected by the Board of Supervisors. The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government and Non-Profit Organizations. Information related to this single audit, including the findings and recommendations, and auditor's reports on the internal control structure and compliance with laws and regulations, is contained in this report. These requirements have been complied with the auditor's opinion is included in this report.

Acknowledgements

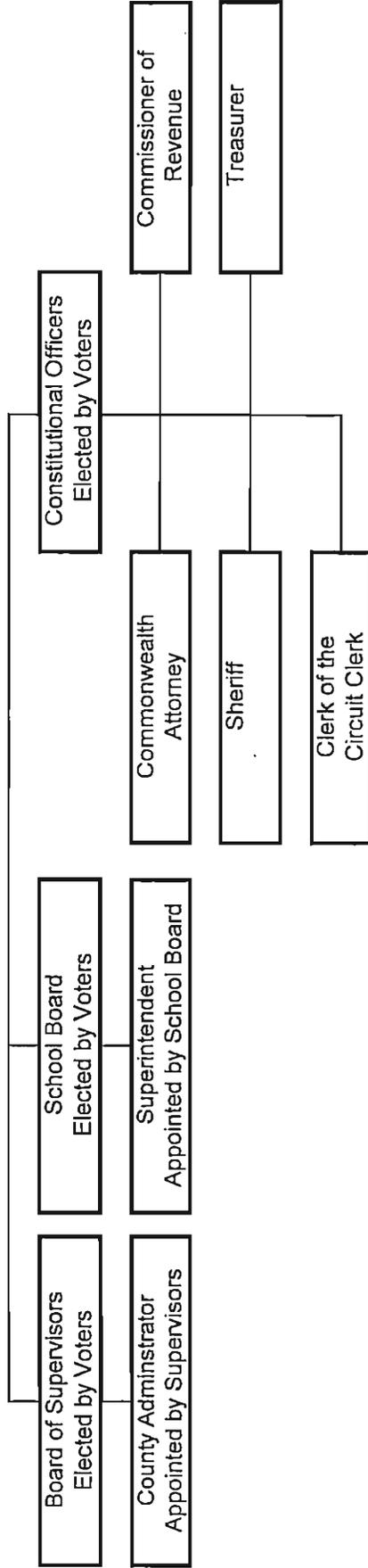
I would also like to thank the Board of Supervisors for their interest and support in planning and conducting the financial operation of the County in a responsible and progressive manner.

Respectfully submitted,



Shannon C. Scott
Interim County Administrator

WISE COUNTY ORGANIZATIONAL STRUCTURE



COUNTY OF WISE, VIRGINIA

BOARD OF SUPERVISORS

Ronald L. Shortt, Chairperson
Steve Bates, Vice-Chairperson

Robert R. Adkins
John W. Peace, II
Robert E. Robbins

Virginia Meador
Fred Luntsford
Leland Branham

COUNTY SCHOOL BOARD

Barry Nelson, Chairperson
Kyle Fletcher, Vice Chairman

Cecilia Robinette
Monty Salyer
Betty Cornett

Margaret Craft
Philip Bates
Mark Hutchinson

Judy Clawson, Clerk of the School Board

WISE COUNTY PUBLIC SERVICE AUTHORITY

Christopher Salyer, Chairperson
William Peace, Jr., Vice Chairperson
James Flanary, Treasurer

Dallas Large
Ralph Gilley
Harold Markham

Kathy Roberson
Fred Luntsford

COUNTY SOCIAL SERVICES BOARD

Charles Bennett, Chairperson
George Barton, Vice-Chairperson

John Graham
Elizabeth Stuart
Madonna Moore
Mary Kiser

Maryland Bumgarner
Steve Bates
Rita McReynolds

COUNTY OF WISE, VIRGINIA

OTHER OFFICIALS

Judge of the Circuit Court..... Tammy McElyea
Judge of the Circuit Court..... Birg Sergent
Clerk of the Circuit Court..... John C. Kilgore
Judge of the District Court..... Suzanne Fulton
Judge of Juvenile & Domestic Relations Court..... Elizabeth Wills
Judge of Juvenile & Domestic Relations Court..... Mickey Schull
Commonwealth's Attorney..... Chadwick S. Dotson
Commissioner of the Revenue..... Douglas Mullins, Jr.
Treasurer..... Rita Holbrook
Sheriff..... Ronnie D. Oakes
County Administrator..... Glen A. Skinner
Superintendent of Schools..... Gregory N. Killough
Director of Social Services..... Thomas Stanley
Director of Public Service Authority..... Danny Buchanan

LARRY D. STURGILL, P. C.

LARRY D. STURGILL

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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

MEMBER
VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the
Board of Supervisors
County of Wise
Wise, Virginia 24293

Supervisors:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Wise, Virginia, as of and for the year ended June 30, 2007, which collectively comprise the county's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County of Wise, Virginia's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Wise, Virginia as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

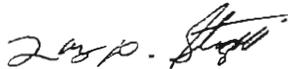
In accordance with *Government Auditing Standards*, I have also issued my report dated June 02, 2007 on my consideration of the County of Wise Virginia's internal control over financial reporting on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and

The Honorable Members of the
Board of Supervisors
County of Wise
Wise, Virginia 24293
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compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 84 through 89, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion in it.

I audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Wise, Virginia's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Wise County, Virginia. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.



Larry D. Sturgill
Certified Public Accountant
Wise, Virginia
September 1, 2008

Wise County Board of Supervisors



Office of County Administrator

COURTHOUSE

WISE, VIRGINIA 24293

TELEPHONE 276-328-2321
FAX 276-328-9780

P.O. BOX 570
206 E MAIN STREET

May 05, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

To the Honorable Members of the Board of Supervisors
To the Citizens of Wise County
County of Wise, Virginia 24293

As management of the County of Wise, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page i-iv of this report. All accounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$50,046,454 (net assets). Of this amount, \$10,389,382 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors from the general fund.

As of the close of the current fiscal year; the County's funds reported combined ending fund balances of \$20,900,634, an increase of \$890,280 in comparison with the prior year. Approximately sixty nine percent of this total amount, \$14,414,751 is available for spending at the County's discretion (unreserved fund balance).

At the end of the current fiscal year, unreserved fund balance for the general fund was \$14,414,751, or 34.12% percent of total general fund expenditures.

The County of Wise, Virginia's total debt decreased by \$1,557,668 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements compose three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

Overview of the Financial Statements (Continued)

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The Government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of activities presents information showing how the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets 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 the 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 of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, courts, police protection, sanitation, social services, education, cultural events, and recreation.

The Government-wide financial statements include not only the County of Wise, Virginia itself (known as the primary government), but also a legally separate school district and a water authority for which the County of Wise, Virginia is financially accountable. Financial information for these component units is reported separately from financial information present for the primary government itself.

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 County of Wise, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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 statement, governmental fund financial statement focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare to the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County'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 County maintains an individual governmental fund, and many special revenue funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Special Revenue funds, all of which are considered to be major funds.

Overview of the Financial Statements (Continued)

The County adopts an annual appropriated budget for its General fund, emergency numbers and law library funds. A budgetary comparison statement has been provided for those funds to demonstrate compliance with its budget.

Fiduciary funds – The County is the trustee, or fiduciary, for the County’s agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County’s fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The County excludes these activities from the County’s government-wide financial statements because the County cannot use these assets to finance its operations. Agency funds are County custodial funds used to provide accountability of client monies for which the County is custodian.

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.

Other Information – In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and presentation of combining financial statements for the discretely presented component unit School Board. The School Board does not issue separate financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a County’s financial position. In the case of the County, assets exceeded liabilities by \$50,046,454 at the close of the most recent fiscal year.

The largest portion of the County’s net assets (47.5 percent) 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 county uses these capital assets to provide service to citizens: consequently, these assets are not available for future spending. Although the County’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 (Continued)

<u>County of Wise, Virginia's Net Assets</u>		
	<u>Primary Governmental Activities and Business-Type Activities</u>	
	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 27,344,814	\$ 26,475,262
Capital assets	<u>42,401,622</u>	<u>42,644,958</u>
 Total assets	 <u>\$ 69,746,436</u>	 <u>\$ 69,120,220</u>
Long-term liabilities outstanding	\$ 15,181,041	\$ 16,132,378
Current liabilities	<u>4,518,941</u>	<u>5,358,870</u>
Total liabilities	<u>\$ 19,699,982</u>	<u>\$ 21,491,248</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 23,771,049	\$ 24,398,237
Contributed capital	7,138,222	5,006,177
Restricted	8,747,801	6,939,319
Unrestricted	<u>10,389,382</u>	<u>11,285,239</u>
Total net asset	<u>\$ 50,046,454</u>	<u>\$ 47,628,972</u>

At the end of the current fiscal year, the County is able to report positive balances in all both categories of net assets, both for the County as a whole and for its, and as well as for its separate governmental and business-type activities.

Government-wide Financial Analysis (Continued)

Governmental Activities – Governmental activities increased the County’s net assets by \$1,197,510. Key elements of this increase are as follows:

County of Wise, Virginia’s Change in Net Assets		
	<u>Primary Governmental Activities and Business-Type Activities</u>	
	<u>2007</u>	<u>2006</u>
Revenue:		
Program revenues:		
Charges for services	\$ 744,391	\$ 680,470
Operating grants and contributions	15,969,200	15,307,748
General Revenues:		
Property taxes	\$ 17,519,214	\$ 17,012,052
Other Local taxes	16,155,686	17,173,168
Other	4,481,043	3,458,542
Total revenues	<u>\$ 54,869,534</u>	<u>\$ 53,631,980</u>
Expenses		
General government	\$ 2,588,357	\$ 2,483,321
Judicial administration	2,389,172	2,037,382
Public safety	6,110,425	6,271,360
Public works	986,551	1,003,217
Health and welfare	12,413,144	17,487,249
Education	16,265,619	14,576,164
Parks, recreation and culture	914,103	873,474
Community development	7,022,690	770,050
Nondepartmental	4,907,026	3,603,470
Interest	74,937	73,068
Total expenses	<u>\$ 53,672,024</u>	<u>\$ 49,178,755</u>
Increase (decrease) in net assets	\$ 1,197,510	\$ 4,395,719
Net assets – beginning	48,848,944	43,158,429
Net assets – ending	<u>\$ 50,046,454</u>	<u>\$ 48,848,944</u>

Financial Analysis of the County's Funds

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

Governmental Funds – The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$20,900,634 an increase of \$890,280 in comparison with the prior year. Approximately seventy percent of this total amount \$14,880,616 constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that is not available for new spending because it has already been committed for:

- Landfill closure and post closure cost
- Future special revenue expenditures

The general fund is the operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$14,414,751, while the total fund balance was \$14,414,751. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 34.12 percent of total general fund expenditures, while total fund balance represents 34.12 percent of that same amount.

The general fund balance decreased \$194,421 during the current fiscal year.

The special revenue funds has a total fund balance of \$6,485,883, all of which is reserved for future projects. The fund balance decreased \$1,008,212 during the current year.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$831,566 increase in appropriations) and can be briefly summarized as follows:

- \$231,144 increase in general government administration
- \$150,403 increase in judicial administration
- \$7,791 increase in public safety expenditures
- \$18,000 increase in public work expenditures
- \$1,199,168 increase in health and welfare expenditures
- \$300,045 increase in education expenditures
- \$9,507 increase in community development
- \$(84,492) decrease in capital outlays

Of this increase, approximately \$199,000 was to be funded from additional state and federal grant sources and the remainder \$1,632,566 from various other sources. During the year, however, primary government

revenues exceeded budgetary estimates by \$1,821,857 and primary government expenditures were less than budgetary estimates by \$421,847.

Capital Asset and Debt Administration

Capital assets – The county’s investment in capital assets for its governmental activities as of June 30, 2007 amounts to \$ 35,009,421 (net of accumulated depreciation). This investment in capital assets land, buildings and improvements, and machinery and equipment. The total decrease in the County’s investment in capital assets for the current fiscal year was \$ 627,188.

<u>County of Wise, Virginia’s Change in Net Capital Assets</u>		
	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2007</u>
Land	\$ 13,558,000	\$ 14,935,700
Buildings	31,767,628	31,604,515
Equipment	<u>2,945,557</u>	<u>8,268,801</u>
Total	48,271,185	54,809,016
Less: accumulated depreciation	<u>(13,261,764)</u>	<u>(19,209,922)</u>
Net capital assets	<u>\$ 35,009,421</u>	<u>\$ 35,599,094</u>

Additional information on the County’s capital assets can be found in Note 18.

Long-term debt - At the end of the current fiscal year, the County had total primary government debt outstanding of \$11,851,898, including claims, judgements, and compensated absences of \$605,352. Of this amount \$11,246,546 comprises debt backed by the full faith and credit of the County.

During the current fiscal year, the County’s total primary government debt decreased by \$1,557,668.

Additional information on the County of Wise, Virginia’s long-term debt can be found in Note 7 of this report.

Economic Factors

- The annual average unemployment rate for the County is 4.0 percent, which is below the rate of 4.4 percent in 2006. This exceeds the state's average unemployment rate of 3.0 percent and is below the national average rate of 4.6 percent for 2007.

All of these factors were considered in preparing the County's budget for the 2008 fiscal year.

Budget and Rates

The approved budget is \$ 47,025,627 for fiscal year 2007-2008. The appropriate tax rates for the 2007-2008 year are as follows: .57 per \$100 value for real estate, mobile home taxes, and public utilities real estate, 1.49 per \$100 of assessed value for personal property and public service personal property, 2.85 per \$100 of assessed value for merchants' capital, and 1.15 per \$100 of assessed value for machinery and tools.

Acknowledgements

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



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COUNTY OF WISE, VIRGINIA
STATEMENT OF NET ASSETS
JUNE 30, 2007

EXHIBIT I

ASSETS	GOVERNMENTAL FUNDS		TOTAL GOVERNMENTAL ACTIVITIES
	GENERAL FUND	OTHER GOVERNMENTAL FUNDS SPECIAL REVENUE	
CURRENT ASSETS			
Cash	\$ 623,887	\$ 791,519	1,415,406
Petty Cash	5,900	-	5,900
Investments	11,761,655	5,472,056	17,233,711
Reserved Deposits	-	-	-
Bond Insurance Costs	-	-	-
Receivable (Net Of Allowances For Uncollectible):			
Property Taxes	1,505,061	-	1,505,061
Accounts	291,295	-	291,295
Mineral Taxes	526,219	487,439	1,013,658
Due From Other Governmental Units	781,947	-	781,947
Due From Other Funds	463,133	473,812	936,945
TOTAL CURRENT ASSETS	15,959,097	7,224,826	23,183,923
NONCURRENT ASSETS			
Capital Assets:			
Land	13,558,000	-	13,558,000
Buildings and equipment, net of depreciation	20,922,635	528,786	21,451,421
TOTAL NONCURRENT ASSETS	34,480,635	528,786	35,009,421
TOTAL ASSETS	\$ 50,439,732	\$ 7,753,612	58,193,344
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 613,932	\$ 32,570	\$ 646,502
Due To Other Funds	473,812	42,821	516,633
Due To Other Governmental Units	-	663,552	663,552
Premium on Bonds Payable	-	-	-
Due To Customers - Deposits	-	-	-
Deferred Revenues - Taxes	-	-	-
Accrued Interest Payable	-	-	-
Claims, Judgments & Compensated Absences	506,106	-	506,106
Current Portion of Long-Term Obligations	1,548,391	75,998	1,624,389
TOTAL CURRENT LIABILITIES	3,142,241	814,941	3,957,182
NONCURRENT LIABILITIES			
Landfill Closure Cost Liability	-	-	-
Noncurrent Portion of Long-Term Obligations	8,810,074	40,231	8,850,305
TOTAL NONCURRENT LIABILITIES	8,810,074	40,231	8,850,305
TOTAL LIABILITIES	\$ 11,952,315	\$ 855,172	12,807,487
NET ASSETS			
Investment In Capital Assets, net of related debt	\$ 23,654,820	\$ 116,229	23,771,049
Contributed Capital	-	-	-
Restricted Assets	-	6,782,211	6,782,211
Unrestricted Assets	14,832,597	-	14,832,597
TOTAL NET ASSETS	\$ 38,487,417	\$ 6,898,440	45,385,857
TOTAL LIABILITIES & NET ASSETS	\$ 50,439,732	\$ 7,753,612	58,193,344

		COMPONENT UNITS			
BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	SCHOOL BOARD		PUBLIC SERVICE AUTHORITY	
		\$	\$	\$	\$
160,445	1,575,851	165,372	766,784		
-	5,900	200	500		
1,964,952	19,198,663	4,852,416	1,900,767		
1,965,590	1,965,590	-	1,795,035		
-	-	-	13,146		
-	1,505,061	-	-		
60,464	351,759	10,975	222,234		
-	1,013,658	-	-		
9,440	791,387	2,289,320	-		
-	936,945	-	-		
4,160,891	27,344,814	7,318,283	4,698,466		
-	13,558,000	1,358,879	165,000		
7,392,201	28,843,622	20,187,083	20,580,473		
7,392,201	42,401,622	21,545,962	20,745,473		
<u>\$ 11,553,092</u>	<u>\$ 69,746,436</u>	<u>\$ 28,864,245</u>	<u>\$ 25,443,939</u>		
\$	\$	\$	\$		
221,989	868,491	579,276	64,435		
212,923	729,556	-	-		
-	663,552	-	9,439		
-	-	-	11,803		
-	-	-	342,895		
-	-	-	-		
-	-	-	12,418		
99,246	605,352	1,470,101	70,308		
27,601	1,651,990	96,540	141,137		
561,759	4,518,941	2,145,917	652,435		
5,586,485	5,586,485	-	-		
744,251	9,594,556	904,795	3,021,053		
6,330,736	15,181,041	904,795	3,021,053		
<u>\$ 6,892,495</u>	<u>\$ 19,699,982</u>	<u>\$ 3,050,712</u>	<u>\$ 3,673,488</u>		
-	\$ 23,771,049	\$ 20,544,628	\$ 21,156,697		
7,138,222	7,138,222	-	-		
1,965,590	8,747,801	-	1,795,035		
(4,443,215)	10,389,382	5,268,905	(1,181,281)		
<u>\$ 4,660,597</u>	<u>\$ 50,046,454</u>	<u>\$ 25,813,533</u>	<u>\$ 21,770,451</u>		
<u>\$ 11,553,092</u>	<u>\$ 69,746,436</u>	<u>\$ 28,864,245</u>	<u>\$ 25,443,939</u>		

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS and CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
PRIMARY GOVERNMENT:				
Governmental Activities				
General Government Administration	\$ 2,588,357	\$ 5,697	\$ 436,786	\$ (2,145,874)
Judicial Administration	2,389,172	36,712	975,058	(1,377,402)
Public Safety	6,110,425	17,343	3,303,514	(2,789,568)
Public Works	986,551	-	-	(986,551)
Health & Welfare	12,413,144	140,542	10,114,407	(2,158,195)
Education	16,265,619	-	-	(16,265,619)
Parks, Recreation & Cultural	914,103	-	56,820	(857,283)
Community Development	7,022,690	-	1,022,706	(5,999,984)
Non-Departmental	255,603	-	-	(255,603)
Interest & Fiscal Charges	74,937	-	-	(74,937)
Total Governmental Activities	<u>\$ 49,020,601</u>	<u>\$ 200,294</u>	<u>\$ 15,909,291</u>	<u>\$ (32,911,016)</u>
Business-Type Activities				
Landfill	4,405,274	495,679	11,946	
Sewer	246,149	48,418	47,963	
Total Business-Type Activities	<u>4,651,423</u>	<u>544,097</u>	<u>59,909</u>	
Total Primary Government	<u>\$ 53,672,024</u>	<u>\$ 744,391</u>	<u>\$ 15,969,200</u>	
COMPONENT UNITS:				
School Board	65,031,612	1,090,901	64,642,296	
Public Service Authority	2,535,159	1,595,724	1,568,936	
Total Component Units	<u>\$ 67,566,771</u>	<u>\$ 2,686,625</u>	<u>\$ 66,211,232</u>	
General Revenues				
Taxes:				
Property Taxes, levied for general purposes				\$ 17,519,214
Utility Taxes				1,041,935
Mineral Taxes				11,959,056
Franchise Taxes				191,424
Local Sales & Use Taxes				2,526,738
Other Local Taxes				436,533
Grants and Contributions, not restricted to specific programs				2,444,722
Investment Income				1,226,208
Miscellaneous				588,011
Operating Transfers				(3,722,306)
Total General Revenue				<u>\$ 34,211,535</u>
Change in Net Assets				\$ 1,300,519
Net Assets, July 01, 2006				44,085,338
Net Assets, June 30, 2007				<u>\$ 45,385,857</u>

NET (EXPENSE) REVENUE
AND CHANGES IN NET ASSETS

BUSINESS-TYPE ACTIVITIES	COMPONENT UNITS		
	PRIMARY GOVERNMENT GOVERNMENTAL AND BUSINESS - TYPE ACTIVITIES	SCHOOL BOARD	PUBLIC SERVICE AUTHORITY
	\$ (2,145,874)		
	(1,377,402)		
	(2,789,568)		
	(986,551)		
	(2,158,195)		
	(16,265,619)		
	(857,283)		
	(5,999,984)		
	(255,603)		
	(74,937)		
	<u>\$ (32,911,016)</u>		
\$ (3,897,649)	\$ (3,897,649)		
<u>\$ (149,768)</u>	<u>(149,768)</u>		
<u>(4,047,417)</u>	<u>(4,047,417)</u>		
	<u>\$ (36,958,433)</u>		
		<u>701,585</u>	
			<u>629,501</u>
\$ -	\$ 17,519,214	\$ -	\$ -
-	1,041,935	-	-
-	11,959,056	-	-
-	191,424	-	-
-	2,526,738	-	-
-	436,533	-	-
-	2,444,722	-	-
222,102	1,448,310	73,740	103,292
-	588,011	565,545	82,350
<u>3,722,306</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 3,944,408</u>	<u>\$ 38,155,943</u>	<u>\$ 639,285</u>	<u>\$ 185,642</u>
<u>\$ (103,009)</u>	<u>\$ 1,197,510</u>	<u>\$ 1,340,870</u>	<u>\$ 815,143</u>
<u>4,763,606</u>	<u>48,848,944</u>	<u>24,472,663</u>	<u>20,955,308</u>
<u>\$ 4,660,597</u>	<u>\$ 50,046,454</u>	<u>\$ 25,813,533</u>	<u>\$ 21,770,451</u>



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FUND FINANCIAL STATEMENTS



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COUNTY OF WISE, VIRGINIA
 BALANCE SHEET-GOVERNMENTAL FUNDS
 JUNE 30, 2007

EXHIBIT 3

	PRIMARY GOVERNMENT		
	GENERAL FUND	OTHER GOVERNMENTAL FUNDS SPECIAL REVENUES	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 12,391,442	\$ 6,263,575	\$ 18,655,017
Receivables (Net of allowances for uncollectibles):			
Taxes, including penalties	1,505,061	487,439	1,992,500
Accounts	817,514	-	817,514
Due from Component Unit	2,004,389	-	2,004,389
Due from Other Funds	463,133	473,812	936,945
Due from Other Governmental Units	542,495	-	542,495
TOTAL ASSETS	\$ 17,724,034	\$ 7,224,826	\$ 24,948,860
LIABILITIES			
Accounts Payable	\$ 613,932	\$ 32,570	\$ 646,502
Due to Other Funds	473,812	42,821	516,633
Due to Other Governmental Units	-	663,552	663,552
Deferred Revenue	2,221,539	-	2,221,539
TOTAL LIABILITIES	\$ 3,309,283	\$ 738,943	\$ 4,048,226
FUND BALANCES			
Reserved	-	6,485,883	6,485,883
Unreserved	14,414,751	-	14,414,751
TOTAL FUND BALANCES	\$ 14,414,751	\$ 6,485,883	\$ 20,900,634
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,724,034	\$ 7,224,826	\$ 24,948,860

Detailed explanation of adjustments from fund statements to government-wide statements of net assets:

Unreserved Fund Balance June 30, 2007 \$ 20,900,634

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the locality as a whole. 35,009,421

Adjustment for amounts due to/due from primary government (2,004,389)

Because of focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in the fund balance. 2,460,991

Long-term liabilities applicable to the locality's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net assets. (10,980,800)

Net assets of General Government Activities \$ 45,385,857

COUNTY OF WISE, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT 4

<u>PRIMARY GOVERNMENT</u>	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:			
General Property Taxes	17,004,359	-	\$ 17,004,359
Other Local Taxes	10,564,914	6,047,637	16,612,551
Permits, Privilege Fees & Regulatory Licenses	51,681	-	51,681
Fines & Forfeitures	20,354	48,999	69,353
Revenues From Use Of Money & Property	920,257	305,951	1,226,208
Charges For Services	182,950	17,344	200,294
Miscellaneous	-	182,312	182,312
Recovered Costs	284,665	-	284,665
Intergovernmental	16,858,414	1,084,214	17,942,628
TOTAL REVENUES	<u>\$ 45,887,594</u>	<u>\$ 7,686,457</u>	<u>\$ 53,574,051</u>
EXPENDITURES:			
Current:			
General Government Administration	\$ 2,609,083	295	\$ 2,609,378
Judicial Administration	2,413,331	47,346	2,460,677
Public Safety	6,297,319	471,043	6,768,362
Public Works	486,575	433,595	920,170
Health & Welfare	12,396,184	-	12,396,184
Education	15,960,371	-	15,960,371
Parks, Recreation & Cultural	872,192	-	872,192
Community Development	532,441	5,759,968	6,292,409
Non-Departmental	255,603	-	255,603
Debt Service:			
Principal Retirement	353,934	73,897	427,831
Interest & Fiscal Charges	66,755	8,182	74,937
TOTAL EXPENDITURES	<u>\$ 42,243,788</u>	<u>\$ 6,794,326</u>	<u>49,038,114</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 3,643,806</u>	<u>\$ 892,131</u>	<u>4,535,937</u>
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	\$ 157,613	\$ 273,534	\$ 431,147
Operating Transfers Out	\$ (3,995,840)	(157,613)	(4,153,453)
Proceeds from Debt	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (3,838,227)</u>	<u>\$ 115,921</u>	<u>\$ (3,722,306)</u>
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	<u>\$ (194,421)</u>	<u>\$ 1,008,052</u>	<u>\$ 813,631</u>
FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED	<u>14,609,172</u>	<u>5,477,831</u>	<u>20,087,003</u>
FUND BALANCE AT END OF YEAR	<u>\$ 14,414,751</u>	<u>\$ 6,485,883</u>	<u>\$ 20,900,634</u>

County of Wise, Virginia
 Reconciliation of Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2007

	<u>Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ 813,631
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded the capital outlays in the current period.	(186,058)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	469,375
Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, these costs represent expenses of the current year.	165,535
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>38,036</u>
Change in net assets of governmental activities	<u>\$ 1,300,519</u>

COUNTY OF WISE, VIRGINIA
 COMBINED STATEMENT OF REVENUES, EXPENSES
 & CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
 ENTERPRISE FUNDS - BUSINESS-TYPE ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT 6

OPERATING REVENUES:		
Landfill Usable Fees	\$ 414,781	
Sewer Rents	48,418	
Tipping Fees	46,003	
Other Revenues	<u>34,895</u>	
TOTAL OPERATING REVENUES		\$ 544,097
OPERATING EXPENSES:		
Other Operating Charges	3,598,730	
Landfill Closure Expense	474,022	
Depreciation	<u>434,803</u>	
TOTAL OPERATING EXPENSES		<u>4,507,555</u>
NET OPERATING INCOME (LOSS)		\$ (3,963,458)
NON-OPERATING REVENUE AND EXPENSE		
Grant Receipts	\$ 59,909	
Loss on Disposal of Equipment	(116,070)	
Interest Revenue	222,102	
Interest Expense	<u>(27,798)</u>	
TOTAL NON-OPERATING REVENUE AND EXPENSE		<u>138,143</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS		\$ (3,825,315)
NET OPERATING TRANSFERS		<u>3,722,306</u>
NET INCOME (LOSS)		\$ (103,009)
NET ASSETS AT BEGINNING OF YEAR		<u>4,763,606</u>
NET ASSETS AT END OF YEAR		<u>\$ 4,660,597</u>

COUNTY OF WISE, VIRGINIA
 COMBINED STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT 7

Cash Flow From Operating Activities:		
Cash Received from Customers	\$ 544,120	
Cash Payments to Suppliers for Goods & Services	<u>(3,559,441)</u>	
NET CASH PROVIDED BY OPERATING ACTIVITIES		\$ (3,015,321)
Cash Flow from Noncapital Financing Activities:		
Operating Transfers From Other Funds	\$ 3,722,306	
Decrease in Due From Other Funds	<u>655</u>	
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES		3,722,961
Cash Flows from Capital & Related Financing Activities:		
Principal Paid on Revenue Bond Maturities	\$ (27,601)	
Interest Paid on Debt Obligations	(27,798)	
Proceeds from General Obligation Loans	-	
Principal Paid on General Obligation Loans	<u>(137,272)</u>	
NET CASH USED FOR CAPITAL & RELATED FINANCING ACTIVITIES		(192,671)
Cash Flows form Investing Activities:		
Sinking Fund Deposits	(165,071)	
Interest Earned on Investments	222,102	
State Grant Receipts	59,909	
Decrease in Investments	(239,432)	
Purchase of Equipment	<u>(298,397)</u>	
NET CASH PROVIDED FORM INVESTING ACTIVITIES		<u>(420,889)</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS		\$ 94,080
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>66,365</u>
CASH & CASH EQUIVALENTS AT END OF YEAR		<u>\$ 160,445</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income		\$ (3,963,458)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	\$ 434,803	
Decrease in Accounts Receivable	23	
Increase in Closure Cost Liability	474,022	
Increase (Decrease) in Accrued Compensation	(19,584)	
Increase in Accounts Payable	<u>58,873</u>	
TOTAL ADJUSTMENTS		<u>948,137</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>\$ (3,015,321)</u>

COUNTY OF WISE, VIRGINIA
 STATEMENT OF FIDUCIARY NET ASSETS
 AT JUNE 30, 2007

EXHIBIT 8

<u>ASSETS</u>	<u>AGENCY FUNDS</u>
Cash	\$ 157,926
Due From Other Governmental Units	251,505
TOTAL ASSETS	<u>\$ 409,431</u>
<u>LIABILITIES & FUND BALANCE</u>	
LIABILITIES:	
Due To:	
Social Service Clients	\$ 128,899
Governmental Units	73,143
Due To Other Funds	207,389
TOTAL LIABILITIES	<u>\$ 409,431</u>
FUND BALANCE:	
Unrestricted	\$ -
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 409,431</u>

COUNTY OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Wise, Virginia is governed by an elected eight member Board of Supervisors. The Board of Supervisors is responsible for appointing the County Administrator. The County provides a full range of services for its citizens. These services include police and volunteer fire protection; sanitation services; recreational activities, cultural events, education, social services.

The financial statements of the County of Wise, Virginia 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 more significant of the government's accounting policies are described below.

Financial Statement Presentation

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the County prepares and presents financial information.

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

Management's Discussion and Analysis – GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

Government-wide and Fund Financial Statements

Government-wide financial statements – The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Statement of Net Assets – The Statement of Net Assets is designed to display financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments will report all capital assets, in the government-wide Statement of Net Assets and will report depreciation expense – the cost of "using up" capital assets – in the Statement of Activities. The net assets of a government will be broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities – The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

COUNTY OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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 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 the new 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.

A. The Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organizations governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Wise, Virginia (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

As required by generally accepted accounting principles, these financial statements present the County of Wise, Virginia (primary government) and its component units. The component units discussed in Note B are included in the County's reporting entity because of the significance of their operational or financial relationships with the County of Wise, Virginia.

B. Individual Component Unit Disclosures

Discretely Presented Component Units:

- (1) Wise County School Board - The County has the responsibility for fiscal matters of the School Board, including authorizations of budgetary appropriations, funding of operating deficiencies, control or use of surplus funds, responsibility for debts, and control over the collections and disbursement of funds.

COUNTY OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (2) Wise County Public Service Authority - The County has a financial accountability for the authority, including the appointment of the Authority's governing body, the contribution of a material amount of funds to the Authority, interrelated reporting of retirement and insurance benefits as well as, serving as fiscal agent for grant receipts for capital projects.

The financial activities of the following organizations are excluded from the County of Wise, Virginia annual report for the reasons indicated:

- (1) The Wise County Redevelopment and Housing Authority were excluded primarily because the County Board of Supervisors does not control the Authority's financial and fiscal matters.

C. Measurement Focus, Basis of Accounting, Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB). The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities reflect both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The County's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

COUNTY OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, financial transactions and accounts of the County are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

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 Funds are:

General Fund

The General Fund is the primary operating fund of the County. 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.

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated from major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds consists of the School Operating, School Cafeteria, School Textbook Rental, Law Library Fund, Coal Road Improvement Funds, Emergency Numbers Fund and Community Development Fund.

Capital Project Fund

Capital Project Fund account for financial resources to be used for the acquisition or construction of major capital facilities. Capital Project Funds consist of the School Construction Fund.

- (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 County of Wise is that the cost of providing services to the general public be financed or recovered through user charges. Enterprise Funds consist of the Sewer Fund and Landfill Fund.

- (3) Fiduciary Funds (Trust and Agency Funds) account for assets held by a governmental unit in a trustee capacity or as an agent or custodian for individuals, private corporations, other governmental units, or other funds.

COUNTY OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(4) Account Groups are used to account for general obligation long-term debt and general fixed assets. A long-term obligation account group and general fixed assets are included herein.

(5) Combined/Combining Format

Combined Financial Statements - These statements are referred as General Purpose Financial Statements and provide a summary overview of the financial position of all funds and account groups and of the operating results of all funds. All funds and account groups of a specific fund classification are combined and presented as one in the financial statements. For example, all funds classified as Special Revenue Funds are combined and presented under the caption "Special Revenue Funds".

Combining Financial Statements - By Fund Classification - These statements present individual financial statements for each fund of a given fund classification. For example, each Special Revenue Fund is shown individually.

(6) Total Columns on Combined Statements

The total columns on the combined statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

D. Budgets and Budgetary Accounting

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

- (1) Prior to March 30, the County Administrator submits to the Board of Supervisors 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 Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within the school system's categories.
- (5) Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds (except the School Fund), and the General Capital Projects Fund.
- (6) All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

COUNTY OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (7) Appropriations lapse on June 30, for all County units.
- (8) All budget data presented in the accompanying financial statements is the revised budget for the year.

E. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Plant, Equipment and System	35 – 50 Years
Motor Vehicles	5 – 10 Years
Equipment	2 – 15 Years

F. Allowance for Uncollectible Accounts

Property Taxes:

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$446,525 at June 30, 2007.

G. Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents are defined as short term highly liquid investments that are both readily convertible to known amounts of cash and investments with maturities of 90 days or less.

H. Investments

Investments are stated at cost, which approximates market. Certificate of deposits and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents. Investments in a deferred compensation agency fund are reported at market value.

COUNTY OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits: All cash of the County 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.

Deposits: All cash of the Wise County School Board, a discretely presented component unit, 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.

Deposits: All cash of the Wise County Public Service Authority, a discretely presented component unit, County 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 local governments and other public bodies 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, "prime quality", commercial paper and certain corporate notes; banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the government or its safekeeping agent in the government's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the broker or dealer's trust department or safekeeping agent in the government's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or safekeeping agent but not in the government's name.

At year-end, the County of Wise, Virginia's investment balances were as follows, on the next page:

	Category			Carrying Amount	Market Value
	1	2	3		
Certificates of Deposit	\$ 14,222,090	\$ -	\$ -	\$ 14,222,090	\$ 14,222,090
Investment in State Treasurer's Local Government Investment Pool (LGIP)				\$ 6,928,663	\$ 8,931,079
Total Investments				\$ 21,150,753	\$ 21,150,753
Total Deposits				1,858,776	
Total Reserved Deposits				13,500	
Total Deposits and Investments				\$ 23,023,029	

COUNTY OF WISE, VIRGINIA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

At year-end, the School Board's investment balances were as follows:

	<u>Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Certificates of Deposit	\$ 2,850,000	\$ -	\$ -	<u>\$ 2,850,000</u>	<u>\$ 2,850,000</u>
Total				<u>\$ 2,850,000</u>	<u>\$ 2,850,000</u>
Investment in State Treasurer's Local Government Investment Pool (LGIP)				<u>\$ 2,002,416</u>	<u>\$ 2,002,416</u>
Total Investments				<u>\$ 4,852,416</u>	<u>\$ 4,852,416</u>
Total Deposits				<u>\$ 165,372</u>	
Total Deposits and Investments				<u><u>\$ 5,017,788</u></u>	

At year-end, the Wise County Public Service Authority's investment balances were as follows:

	<u>Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Certificates of Deposit	\$ 2,127,868	\$ -	\$ -	<u>\$ 2,127,868</u>	<u>\$ 2,127,868</u>
Total Investments				<u>\$ 2,127,868</u>	<u>\$ 2,127,868</u>
Total Deposits				<u>\$ 2,334,719</u>	
Total Deposits and Investments				<u><u>\$ 4,462,587</u></u>	

NOTE 3: TAXES RECEIVABLE

Property: 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 two installments on May 15th and October 15th. The County bills and collects its own property taxes.

Coal Severance: Coal severance tax is assessed monthly based on the gross receipts of the mining operation for the preceding month. Coal severance taxes attach as enforceable lien on the mining operation in the month of assessment. Taxes are payable in the month of assessment. The County bills and collects its own coal severance taxes.

COUNTY OF WISE, VIRGINIA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007

NOTE 4: INTERFUND OBLIGATIONS

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General	\$ 2,933,389	\$ 473,812
Enterprise Funds	-	212,923
School Fund	-	2,470,256
Emergency Numbers Fund	-	-
Local Sales Tax Fund	-	207,389
Community Development Fund	-	42,821
Coal Road Improvement	473,812	-
	<hr/>	<hr/>
TOTALS	\$ 3,407,201	\$ 3,407,201

NOTE 5: DUE FROM OTHER GOVERNMENTAL UNITS

	<u>PRIMARY GOVERNMENT</u>			<u>COMPONENT UNIT</u>
	<u>GENERAL FUND</u>	<u>FIDUCIARY FUND</u>	<u>ENTERPRISE FUND</u>	<u>SCHOOL BOARD</u>
Local Governmental Units:				
Towns	\$ 164,875	\$ -	\$ -	\$ -
School Boards	-	-	-	211,144
Other Localities	-	-	-	255,946
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LOCAL	\$ 164,875	\$ -	\$ -	\$ 467,090
Commonwealth of Virginia:				
Tax on Wills	\$ 7,328	\$ -	\$ -	\$ -
Shared Expenses	278,490	-	-	-
Local Sales Taxes	-	251,505	-	-
State Sales Taxes	-	-	-	473,088
Communication Taxes	91,802	-	-	-
School Funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL STATE	\$ 377,620	\$ 251,505	\$ -	\$ 473,088
Federal Government:				
School Funds	\$ -	\$ -	\$ -	\$ 1,349,142
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FEDERAL	\$ -	\$ -	\$ -	\$ 1,349,142

COUNTY OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 6: DUE TO OTHER GOVERNMENTAL UNITS

	<u>PRIMARY GOVERNMENT</u>	
	<u>SPECIAL</u>	<u>FIDUCIARY</u>
	<u>REVENUE</u>	<u>REVENUE</u>
Appalachia	\$ 36,614	\$ 6,669
Big Stone Gap	46,350	16,635
Coeburn	38,122	7,511
Pound	33,049	3,298
St. Paul	32,774	3,334
Wise	42,236	6,669
Norton	45,116	-
Public Service Authority	205,696	-
Other	183,595	29,027
TOTALS	\$ 663,552	\$ 73,143

NOTE 7: LONG-TERM DEBT

PRIMARY GOVERNMENT

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

GENERAL LONG-TERM DEBT

<u>YEAR</u> <u>ENDING</u> <u>JUNE 30,</u>	<u>GENERAL LONG-TERM</u> <u>FINANCING</u>		<u>ENTERPRISE FUNDS</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2008	\$ 724,667	\$ 49,624	\$ 529,139	\$ 2,740
2009	306,579	32,327	102,284	851
2010	200,439	21,893	78,874	442
2011	152,414	15,897	33,952	63
2012	102,831	11,222	27,601	-
2013	107,031	7,515	-	-
2014	64,550	-	-	-
TOTALS	\$ 1,658,511	\$ 138,478	\$ 771,850	\$ 4,096

COUNTY OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7: LONG-TERM DEBT (Continued)

DEBT ACQUIRED FOR SCHOOL PURPOSES:

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

GENERAL LONG-TERM DEBT

YEAR ENDING JUNE 30,	GENERAL OBLIGATION BONDS		STATE LITERARY LOANS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2008	\$ 55,000	\$ 8,851	\$ 685,000	\$ 173,365
2009	50,000	5,058	685,000	159,665
2010	45,000	1,625	685,000	145,965
2011	-	-	685,000	132,265
2012	-	-	685,000	118,565
2013	-	-	585,000	104,865
2014	-	-	585,000	93,165
2015	-	-	585,000	81,465
2016	-	-	585,000	69,765
2017	-	-	585,000	58,065
2018	-	-	585,000	46,365
2019	-	-	585,000	34,665
2020	-	-	585,000	22,965
2021	-	-	563,227	11,258
TOTALS	<u>\$ 150,000</u>	<u>\$ 15,534</u>	<u>\$ 8,668,227</u>	<u>\$ 1,252,403</u>

COUNTY OF WISE, VIRGINIA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007

NOTE 7: LONG-TERM DEBT (Continued)

Changes in Long-term Debt:

The following is a summary of long-term obligations of the County for the year ended June 30, 2007, as categorized below:

State Literary Loans	9,403,072	-	734,845	8,668,227
TOTAL LOANS AND BONDS	\$ 11,682,371	\$ -	\$ 1,207,676	\$ 10,474,695
Claims, Judgments and Compensated Absences	671,641	-	165,535	506,106
TOTAL GENERAL LONG-TERM DEBT ACCOUNT GROUP	\$ 12,354,012	\$ -	\$ 1,373,211	\$ 10,980,801
<u>Enterprise Fund:</u>				
VRA Revenue Bonds	\$ 165,606	\$ -	\$ 27,601	\$ 138,005
General Long-Term Financing Loans	771,118	-	137,273	633,845
Claims, Judgements and Compensated Absences	118,830	-	19,584	99,246
TOTAL ENTERPRISE FUND	\$ 1,055,554	\$ -	\$ 184,458	\$ 871,096
TOTAL PRIMARY GOVERNMENT DEBT	\$ 13,409,566	\$ -	\$ 1,557,669	\$ 11,851,897

COUNTY OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7: LONG-TERM DEBT (Continued)

AMOUNT
OUTSTANDING

DETAILS OF LONG-TERM INDEBTEDNESS

General Long-Term Debt:

General Long-Term Financing:

\$200,000 Loan payable to B B & T Bank issued
January 27, 2007, due in 36 monthly installments of
\$5,891; interest payable at 3.840% annually. \$ 108,418

\$472,000 Loan payable to B B & T Bank issued
December 14, 2005, due in 60 monthly installments of
\$8,680; interest payable at 3.940% annually. 89% of this note
is recorded in the General Long-Term Debt Account Group and
11% is recorded as Enterprise Liability. 310,746

\$247,000 Loan payable to B B & T Bank issued
November 13, 2003, due in 36 monthly installments of
\$7,175.44; interest payable at 2.93% annually. 92% of this note
is recorded in the General Long-Term Debt Account Group and
8% is recorded as Enterprise Liability. -0-

\$475,000 Loan payable to B B & T Bank issued
November 13, 2003, due in 120 monthly installments of
\$4,849.88; interest payable at 4.18% annually. 323,500

\$447,000 Loan payable to Powell Valley National Bank issued
April 10, 2004, due in 120 monthly installments of
\$4,488.49; interest payable at 3.83% annually. 323,440

\$527,000 Loan payable to First Bank and Trust issued
December 15, 2004, due in 60 monthly installments of
\$9,637; interest payable at 3.71% annually. 40% of this note
is recorded in the General Long-Term Debt Account Group and
60% is recorded as Enterprise Liability. 108,187

355,384 Loan payable to Government Corporation issued March 13,
2003, due in monthly installments of \$20,520; interest payable at
5.646% annually. 116,229

Line of Credit to Powell Valley National Bank issued
December 14, 2004, interest payable at 3.75% annually.
46% of this note is recorded in the General Long-Term Debt Account
Group and 54% is recorded as Enterprise Liability. 365,948

TOTAL GENERAL LONG-TERM FINANCING \$ 1,656,468

COUNTY OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7: LONG-TERM DEBT (Continued)

DETAILS OF LONG-TERM INDEBTEDNESS

General Long-Term Debt:

General Obligation Bonds:

\$1,000,000 School Bonds 1990A, issued March 8, 1990, maturing annually with principal installments of varying amounts and interest rates from 7% to 7.225%.	\$ <u>150,000</u>
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TOTAL GENERAL OBLIGATIONS BONDS	\$ <u>150,000</u>
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State Literary Loans:

\$298,255 State Literary Fund loan issued December 1, 1986, due in annual installments of \$14,920 through 2007; interest payable annually at 3%.	\$ -0-
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\$231,818 State Literary Fund loan issued December 1, 1986, due in annual installments of \$11,418 through 2007; interest payable annually at 3%.	-0-
---	-----

\$700,000 State Literary Fund loan issued December 15, 1976, due in annual installments of \$23,325 through 2007; interest payable annually at 3%.	-0-
--	-----

\$2,000,000 State Literary Fund loan issued December 15, 1991, due in annual installments of \$100,000 through 2011; interest payable annually at 2%.	500,000
---	---------

\$3,700,000 State Literary Fund loan issued March 01, 2001, due in annual installments of \$185,000 through 2021; interest payable at 2%.	2,590,000
---	-----------

\$2,978,227 State Literary Fund loan issued December 15, 2000, due in annual installments of \$150,000 through 2021; interest payable at 2%.	2,078,227
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\$5,000,000 State Literary Fund loan issued March 15, 2001, due in annual installments of \$250,000 through 2021; interest payable at 2%.	<u>3,500,000</u>
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TOTAL STATE LITERARY LOANS	\$ <u>8,668,227</u>
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TOTAL LONG-TERM DEBT ACQUIRED FOR SCHOOL PURPOSES	\$ <u>8,818,227</u>
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TOTAL COMPENSATED ABSENCES	<u>506,106</u>
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TOTAL GENERAL LONG-TERM DEBT	\$ <u>10,980,801</u>
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COUNTY OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7: LONG-TERM DEBT (Continued)

ENTERPRISE FUND LOANS

Enterprise Fund:

VRA Revenue Bonds:

\$524,421 Virginia Resources Authority, Virginia Revolving Loan Fund issued April 8, 1991, due in semi-annual installments of \$13,801 through April 1, 2012, interest payable annually at 0%.	\$ <u>138,005</u>
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TOTAL VRA REVENUE BONDS	\$ <u>138,005</u>
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General Long-Term Financing:

\$472,000 Loan payable to B B & T Bank issued December 14, 2005, due in 60 monthly installments of \$8,680; interest payable at 3.940% annually. 89% of this note is recorded in the General Long-Term Debt Account Group and 11% is recorded as Enterprise Liability.	\$ 36,806
--	-----------

\$527,000 Loan payable to First Bank and Trust issued December 15, 2004, due in 60 monthly installments of \$9,637; interest payable at 3.71% annually. 40% of this note is recorded in the General Long-Term Debt Account Group and 60% is recorded as Enterprise Liability.	167,447
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Line of Credit to Powell Valley National Bank issued December 14, 2004, interest payable at 3.75% annually. 46% of this note is recorded in the General Long-Term Debt Account Group and 54% is recorded as Enterprise Liability.	429,592
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\$247,000 Loan payable to B B & T Bank issued November 13, 2003, due in 36 monthly installments of \$7,175.44; interest payable at 2.93% annually. 92% of this note is recorded in the General Long-Term Debt Account Group and 8% is recorded as Enterprise Liability.	<u>-0-</u>
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TOTAL GENERAL LONG-TERM FINANCING	\$ <u>633,845</u>
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TOTAL COMPENSATED ABSENCES	<u>99,246</u>
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TOTAL ENTERPRISE FUND LONG-TERM DEBT	\$ <u>871,096</u>
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TOTAL PRIMARY GOVERNMENT DEBT	<u>\$11,851,897</u>
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COUNTY OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7: LONG-TERM DEBT (Continued)

COMPONENT UNIT – SCHOOL BOARD

\$1,265,000 Loan payable to SunTrust Bank for an Energy Performance Contract, due in 144 monthly installments of \$10,800; interest payable at an annual rate of 3.454%.	\$ 1,001,335
Total Compensated Absences and Early Retirement Plan Payable	<u>1,470,101</u>
TOTAL LONG-TERM DEBT – SCHOOL BOARD	<u>\$ 2,471,436</u>

Changes in Long-Term Debt:

The following is a summary of School Board long-term debt transactions for the year ended June 30, 2007:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
<u>Long-Term Debt:</u>				
Long-Term Financing Loans	\$ 1,094,603		\$ 93,268	\$ 1,001,335
Claims, Judgments and Compensated Absences Payable	<u>1,264,975</u>	<u>205,126</u>	<u>-</u>	<u>1,470,101</u>
TOTAL LONG-TERM DEBT	<u>\$ 2,359,578</u>	<u>\$ 205,126</u>	<u>\$ 93,268</u>	<u>\$ 2,471,436</u>

COUNTY OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7: LONG-TERM DEBT (Continued)

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

LONG-TERM FINANCING LOANS

<u>YEAR ENDING JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2008	\$ 96,540	\$ 33,063	\$ 129,603
2009	99,928	29,675	129,603
2010	103,434	26,169	129,603
2011	107,063	22,540	129,603
2012	110,820	18,783	129,603
2013	114,708	14,895	129,603
2014	118,733	10,870	129,603
2015	122,899	6,705	129,604
2016	127,210	2,392	129,602
TOTALS	\$ 1,001,335	\$ 165,092	\$ 1,166,427

COUNTY OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7: LONG-TERM DEBT (Continued)

COMPONENT UNIT-WISE COUNTY PUBLIC SERVICE AUTHORITY

BONDS & NOTES OUTSTANDING

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

PERIOD ENDED JUNE 30,	<u>LONG-TERM OBLIGATIONS</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>
2008	\$ 141,517	\$ 54,906
2009	141,902	52,741
2010	142,291	50,459
2011	147,684	47,994
2012	148,081	45,372
2013	153,482	42,519
2014	138,888	39,786
2015	144,297	37,355
2016	144,710	34,861
2017	145,127	32,169
2018	145,548	29,301
2019	145,974	26,371
2020	131,404	23,774
2021	136,838	21,428
2022	142,277	18,821
2023	142,720	16,083
2024	133,167	13,596
2025	127,325	11,359
2026	127,658	8,854
2027	125,449	6,079
2028	115,915	3,557
2029	95,589	1,692
2030	49,000	385
2031	34,000	-
2032	24,611	-
2033	18,368	-
2034	18,368	-
<i>SUB-TOTALS</i>	<u>\$ 3,162,190</u>	<u>\$ 619,462</u>

COUNTY OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7: LONG-TERM DEBT (Continued)

Changes in Bonds and Notes Outstanding

The following is a summary of Authority long-term debt transactions of the Authority for the year ended June 30, 2007:

Beginning Balance	\$2,944,746
Additions:	
Virginia Resources Authority Bond	356,010
Retirements:	
Virginia Resources Authority Bonds	<u>(138,566)</u>
TOTAL BOND AND LOANS PAYABLE	<u>\$ 3,162,190</u>

Details of Bonds and Notes Outstanding

\$107,926 Water and Sewer Revenue Bond, Series 2001, Virginia Resources Authority issued April 25, 2002, due in semi-monthly installments of \$1,799 through September 01, 2031, interest payable annually at 0%.	\$ 86,596
\$361,000 Water and Sewer Revenue Bond, Series 2001, Virginia Resources Authority issued June 19, 2002, due in semi-monthly installments of \$6,017 through January 01, 2032, interest payable annually at 0%.	294,817
\$551,025 Water and Sewer Revenue Bond, Series 2001, Virginia Resources Authority issued January 22, 2004, due in semi-monthly installments of \$9,184 through May 01, 2034, interest payable annually at 0%.	495,923
\$1,160,000 Water and Sewer Revenue Bond, Series 2004, Virginia Resources Authority beginning on October 01, 2004 and ending October 01, 2029. Interest payable semi-annually at a variable interest rate varying from 2.92% to 5.14%.	1,010,000
\$1,054,490 Water and Sewer Revenue Bond, Virginia Resources Authority issued February 27, 2004, due in annual installments ending on December 1, 2029, interest payable semi-annually at 1.00%.	934,906
\$481,875 North Fork Water Project. Water and Sewer Revenue Bond, Virginia Resources Authority issued June 30, 2006, due in semi-annual Installments beginning on January 01, 2007 and ending on July 1, 2037 Interest payable at 0%.	282,831
\$90,745 Banner/Sandy Ridge Interconnect. Water and Sewer Revenue Bond, Virginia Resources Authority issued June 15, 2007, due in semi-annual Installments beginning on February 01, 2008 and ending on November 1, 2038 Interest payable at 0%.	57,117
TOTAL LONG-TERM OBLIGATIONS	<u>\$ 3,162,190</u>

COUNTY OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 8: CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES

In accordance with NCGA Statement 4 "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences", the County has accrued the liability arising from outstanding claims and judgments and compensated absences. County employees earn vacation and sick leave at various rates. County employees can receive 25% of sick leave upon separation not to exceed 25 unused sick days. At June 30, 2007 the value of accrued vacation pay, for the primary government was \$671,641.

The Wise County School Board adopted on June 13, 1989 the Early Retirement Option Plan, making it possible for any full-time certified or professional of Wise County Schools who is covered by the Virginia Retirement System to retire early. This plan is no longer open to employees who desire to retire early, effective June 30, 2000. As of June 30, 2007, accrued liability under this plan amounted to \$1,194,394. As noted in the plan document, the funding of this option is subject to available appropriations each fiscal year. There exists only a moral obligation and not a legal obligation to fund this plan. The amount of accrued vacation pay for the professional School Board employees was \$178,927 and non-professional employees were \$96,780. The total value of these liabilities, including the early retirement option plan, for the Component Unit - School Board was \$1,470,101.

The Wise County Public Service Authority employees earn vacation and sick leave at various rates. One-half (1/2) of benefits or pay is received for unused sick leave upon termination, however, total benefits are paid in the event of employee death. At June 30, 2007 the amount of accrual recorded is \$35,016, which equals one-half of the value. Vacation is earned on a calendar year and expires at the end of the period earned. At June 30, 2007 the value of accrued vacation pay was \$35,292. The accrual for vacation and sick leave totals \$70,308.

NOTE 9: DEFINED BENEFIT PENSION PLAN

A. Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employees (age 50 with 25 years for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia

COUNTY OF WISE, VIRGINIA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

(1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from our web site at <http://www.varetire.org/Pdf/2004AnnuRept.pdf> or obtained by writing the System at P. O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. This 5% member contribution may be assumed by the employer. In addition, the County of Wise and Wise County School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The County of Wise and Wise County School Board's Non-Professional employees' contribution rate for the fiscal year ended 2007 was 8.00% of annual covered payroll. Total employer and employee contributions made to the VRS statewide teacher pool for professional employees by Wise County School Board for fiscal year 2007, 2006 and 2005 amounted to \$4,310,587, \$3,457,157, and \$3,098,716, respectively, and represented, 11.24%, 11.03% and 8.77%, respectively.

C. Annual Pension Cost

For 2007, County of Wise and the School Board's Non-Professional Employees annual pension cost of \$959,198 and \$324,774, respectively, was equal to the County's required and actual contributions. The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. This actuarial valuation uses the assumptions and methods that were adopted as a result of the 2004 Experience Study. In particular, it uses an assumed investment return rate of 7.50%; an assumed annual cost-of-living adjustment of 2.50%; salary increases that range between 3.75% and 5.60% depending on the member's service and classification (general employee or uniformed officer); and retirement, mortality, disability and termination rates that were also based on the 2004 Experience Study prepared for VRS. Liabilities were determined under the Entry Age Normal actuarial cost method.

THREE-YEAR TREND INFORMATION FOR COUNTY OF WISE, VIRGINIA

	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Wise County	June 30, 2006	\$959,198	100%	\$0
	June 30, 2005	\$641,154	100%	\$0
	June 30, 2004	\$527,611	100%	\$0
Wise County Schools	June 30, 2006	\$324,774	100%	\$0
	June 30, 2005	\$204,406	100%	\$0
	June 30, 2004	\$119,569	100%	\$0

COUNTY OF WISE, VIRGINIA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007

NOTE 10: DEFERRED REVENUE

General Fund:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$2,221,538 is comprised of deferred property tax revenue representing uncollected tax billings not available for funding of current expenditures in the amount of \$1,249,040 and collection of 2007 taxes not due until October 15, 2007 in the amount of \$972,499.

NOTE 11: CONTINGENT LIABILITIES

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

NOTE 12: SURETY BOND

	<u>Amount</u>
Fidelity & Deposit Company Of Maryland - Surety	
Jack Kennedy, Clerk of the Circuit Court	\$ 25,000
Rita Holbrook, Treasurer	500,000
Douglas Mullins, Jr., Commissioner of the Revenue	3,000
Ronnie D. Oakes, Sheriff	30,000
All Constitutional Officer's Employees: Blanket Bond	50,000
 United States Fidelity and Guaranty Company Surety:	
Gregory N. Killough, Superintendent of Schools	10,000
 Fidelity and Deposit Company of Maryland Surety:	
Judy Clawson, Clerk of the School Board Deputy	10,000
Clerk of the School Board	10,000
All School Board Employees: Blanket Bond	5,000
Director, Manpower Skill Center	111,000
Secretary/Bookkeeper, Manpower Skill Center	111,000
Director, Summer Youth Employment	100,000
Bookkeeper, Summer Youth Employment	100,000
All Social Services Employees: Blanket Bond	100,000
Western Surety Company:	
Chairman of Board of Supervisors	2,500
 Continental Insurance Company:	
All County Employees: Blanket Bond	10,000

COUNTY OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 13: LITIGATION

In regard to litigation involving the County of Wise, Virginia at June 30, 2007, the County's legal counsel informed us that there is one case pending against the County. This case is as follows:

Indian Creek Monument Sales, Inc. et al v. Wise County, Virginia, Wise County Circuit Court.

This case is a suit challenging the County's collection of the landfill use fee for the period February 2001 to September 2003. The use fee was determined unconstitutional by the Supreme Court of Virginia on September 12, 2003. The County has filed special pleas and a Demurrer, which are pending. The potential for loss could be substantial, possibly in excess of \$1,000,000, should the suit be allowed to proceed and refunds be ordered.

The case was discontinued from the Court docket on May 24, 2007 and was not reinstated within a year and as of August 5, 2008 has been dismissed.

Legal counsel informed us that there are no unasserted possible claims that are probable of assertion and must be disclosed in accordance with Statement of financial Accounting Standards No. 5.

NOTE 14: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest Paid - Proprietary Fund

Cash paid interest expense relating to debt for the year ended June 30, 2007 amounted to \$27,798.

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

NOTE 15: INTEREST PAID - WISE COUNTY PUBLIC SERVICE AUTHORITY

Cash paid interest expense relating to debt for the period ending June 30, 2007 amounted to \$56,310. The Wise County Public Service Authority considers all short-term investments with an original maturity of three months or less to be cash equivalents.

COUNTY OF WISE, VIRGINIA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007

NOTE 16: PROPRIETARY CAPITAL ASSETS

A summary of proprietary fund capital assets is as follows:

	<u>VRA Landfill Enterprise</u>	<u>Riverview Sewer Project Fund</u>	<u>Total</u>
Improvements Other Than Buildings	\$ 7,741,490	\$ 549,300	\$ 8,290,790
Land and Buildings	1,081,133	-	1,081,133
Equipment & Buildings	3,720,160	-	3,720,160
Less: Accumulated Depreciation	<u>(5,493,895)</u>	<u>(205,987)</u>	<u>(5,699,882)</u>
NET CAPITAL ASSETS	<u>\$ 7,048,888</u>	<u>\$ 343,313</u>	<u>\$ 7,392,201</u>

NOTE 17: CAPITAL ASSETS

Primary Government:

A summary of capital assets for the primary government is as follows:

	<u>Total</u>
Land	\$ 13,558,000
Buildings	31,767,628
Equipment & Vehicles	<u>2,945,557</u>
TOTAL CAPITAL ASSETS	\$ 48,271,185
Less: Accumulated Depreciation	<u>(13,261,764)</u>
NET CAPITAL ASSETS	<u>\$ 35,009,421</u>

Component Unit - School Board:

A summary of capital assets for the school board is as follows:

	<u>Total</u>
Land	\$ 1,358,879
Buildings & Improvements	43,566,965
Equipment & Vehicles	<u>6,706,128</u>
TOTAL CAPITAL ASSETS	51,631,972
Less: Accumulated Depreciation	<u>(30,086,010)</u>
NET CAPITAL ASSETS	<u>\$ 21,545,962</u>

COUNTY OF WISE, VIRGINIA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007

NOTE 17: CAPITAL ASSETS (Continued)

A summary of changes in capital assets is as follows:

Primary Government:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Land	\$ 13,558,000	\$ -	\$ -	\$ 13,558,000
Buildings	32,422,829	209,225	839,425	31,792,629
Equipment & Vehicles	4,447,433	461,931	1,336,636	3,572,728
TOTAL CAPITAL ASSETS	\$ 50,428,262	\$ 671,156	\$ 2,176,061	\$ 48,923,357

Component Unit School Board:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Land	\$ 1,314,293	\$ 44,586	\$ -	\$ 1,358,879
Buildings & Improvements	42,776,670	790,295	-	43,566,965
Equipment & Vehicles	6,606,090	100,038	-	6,706,128
TOTAL	\$ 50,697,053	\$ 934,919	\$ -	\$ 51,631,972

COMPONENT UNIT - WISE COUNTY PUBLIC SERVICE AUTHORITY:

UTILITY PLANT AND EQUIPMENT IN SERVICE

Utility plant in service is stated at cost or estimated cost. Donated property is recorded at market value prevailing at date of donation. Depreciation on utility plant commences on the first day of the fiscal year following the date initially placed in service.

Depreciation for fixed assets has been provided over the following estimated useful lives using the straight-line method:

Water/Sewer System	50 Years
Equipment	5 - 10 Years

COUNTY OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 17: CAPITAL ASSETS (Continued)

A summary of capital assets for the Authority is as follows:

		<u>Total</u>
Land and Easements	\$	165,000
Construction in Progress		4,885,608
Utility Plant		22,041,333
Equipment		324,171
Automobiles		270,716
Office Furniture & Equipment		108,737
Plant Building		<u>42,040</u>
TOTAL PLANT & EQUIPMENT	\$	27,837,605
Less: Accumulated Depreciation		<u>(7,092,132)</u>
NET CAPITAL ASSETS	\$	<u><u>20,745,473</u></u>

A summary of changes in capital assets is as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
Land	\$ 65,000	\$ 100,000	\$ -	\$ 165,000
Construction in Progress	3,920,624	964,984	-	4,885,608
Utility Plant	22,018,894	76,494	54,055	22,041,333
Equipment	308,791	16,135	755	324,171
Automobiles	254,730	15,986	-	270,716
Office Furniture and Equipment	111,517	13,999	2,780	122,736
Plant Building	<u>28,041</u>	<u>-</u>	<u>-</u>	<u>28,041</u>
TOTAL CAPITAL ASSETS	<u>\$ 26,707,597</u>	<u>\$ 1,187,598</u>	<u>\$ 57,590</u>	<u>\$ 27,837,605</u>

COUNTY OF WISE, VIRGINIA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007

**NOTE 18: RESTRICTED CASH/DEBT RESERVE - COMPONENT UNIT:
WISE COUNTY PUBLIC SERVICE AUTHORITY**

As of June 30, 2007, customer deposits held by the Public service Authority is restricted and refunded to customers upon termination of their respective water hookup. The Authority maintains a debt service account for the purpose of repayment of outstanding debt.

Total restricted cash held by the Authority at June 30, 2007 is as follows:

	Balance
Capital Improvement Fund	\$ 315,813
Operating Reserve	102,638
Emergency Reserve	382,247
Replacement Reserve	272,745
Total Reserve Accounts	1,073,443
Customer Deposit Account	342,895
Debt Service Accounts	378,697
TOTAL RESTRICTED CASH	\$ 1,795,035

NOTE 19: LANDFILL CLOSURE COST LIABILITY

According to laws and regulations the County must perform closure and post-closure care to the Landfill as specified in Part V, Section 5.1.E of the Virginia Solid Waste Management Regulations (VR 672-20-10). The regulations require the County to close it's facility in a manner that minimizes the need for further maintenance and controls, minimizes or eliminates the post-closure escape of uncontrolled leachate, surface runoff, decomposition gas, migration or waste decomposition products to the groundwater, surface water or to the atmosphere. The regulations also requires that the County conduct post-closure care for ten years after the date of completing closure or for as long as leachate is generated, whichever is later.

The total estimated closure and post-closure care costs for the County's landfill operation is \$15,116,370. The accrued liability for these costs reported as of June 30, 2007 is based on the capacity of the landfill used to date. The landfill capacity used at year end is approximately 34% and the remaining life of the landfill is approximately 30 years. The remaining cost to be accrued in the future is as follows:

Total Estimated Liability	\$ 15,116,370
Accrued Liability as of June 30, 2007	5,586,485
Total Closure and Post-closure Care Costs Remaining to be Recognized	\$ 9,529,885

It should be noted that the total estimated liability for the closure and post-closure care is only an estimate based on current projections. Uncontrollable factors such as inflation, changes in technology, and changes in applicable laws and regulations may affect these projections.

COUNTY OF WISE, VIRGINIA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007

NOTE 19: LANDFILL CLOSURE COST LIABILITY (Continued)

At this time the County complied with the regulations of the Virginia Financial Assurance Regulations for Solid Waste Facilities, 9 VAC 20-70-10 et seq. The regulation requires local government owners and operators to maintain a financial mechanism, or combination of mechanisms, demonstrating assurance for the closure, post-closure care, and, if applicable, corrective actions costs associated with their owned and operated solid waste facilities. The County has fulfilled the requirements as set forth in the financial ratio test mechanism.

The County has a reserved fund designated for the purpose of landfill closure. During the current year ending June 30, 2007, the County has deposited \$1,952,090 into this fund.

NOTE 20: ACCOUNTS RECEIVABLE

Proprietary Fund:

	<u>Balance</u>
Accounts Receivable	
Landfill Fees	\$ 56,265
Riverview Sewer	18,698
Less: Allowance For Doubtful Accounts	<u>(14,499)</u>
NET ACCOUNTS RECEIVABLE	<u>\$ 60,464</u>

Component Unit - Wise County Public Service Authority:

	<u>Balance</u>
Accounts Receivable	\$ 230,485
Less: Allowance for Doubtful Accounts	<u>(62,732)</u>
NET ACCOUNTS RECEIVABLE	<u>\$ 167,753</u>

NOTE 21: CONTRIBUTED CAPITAL

Contributions received from individuals or other governmental units which are used to defray a part of all of the cost of installing a portion of the utility plant are credited to contributions in aid of construction. The Authority amortizes contributions against depreciation of utility plants in service in the ratio that such related contributions bear to total utility plants in service.

Contributions in aid of construction at June 30, 2007 include non-refundable donations or contributions in cash, services, or property from corporations, individuals, and others for the construction and extension of water and sewer facilities as follows:

COUNTY OF WISE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 21: CONTRIBUTED CAPITAL (Continued)

SOURCE	AMOUNT
Wise County Ind. Development Auth.	\$ 60,850
County of Wise	14,121,651
State Department of Health	775,103
Federal Government	10,017,935
Others	2,126,644
SUB-TOTAL	\$ 27,102,183
Less: Accumulated Amortization	5,945,486
TOTAL CONTRIBUTED CAPITAL,	\$ 21,156,697
NET OF AMORTIZATION	

**NOTE 22: COMMITMENTS AND CONTINGENCIES - COMPONENT UNIT:
WISE COUNTY PUBLIC SERVICE AUTHORITY**

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

The Authority operates by providing water & sewer services to the general public financed through user charges. A significant reduction in the level of services provided, if this were to occur, may have an effect on the Authority's ability to continue operations.

NOTE 23: RESTATEMENT OF BEGINNING NET ASSETS

GENERAL FUND:

Net Assets, at June 30, 2006, as previously reported	\$14,532,683
Adjustment for liability due to the County from the Coalfield Economic Tourism Authority	76,259
Adjustment for Accounts Payable	230
Net Assets at June 30, 2006, as restated	14,609,172

ENTERPRISE FUND

Net Assets, at June 30, 2006, as previously reported	\$4,126,077
Adjustment for transfer of assets from General Fund	637,529
Net Assets, at June 30, 2006, as restated	\$4,763,606



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PRIMARY GOVERNMENT
GOVERNMENTAL FUNDS



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COUNTY OF WISE, VIRGINIA
 STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT 9

	GENERAL FUND			VARIANCE WITH AMENDED BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	
REVENUES:				
General Property Taxes	\$ 14,900,000	\$ 14,909,115	\$ 17,004,359	\$ 2,095,244
Other Local Taxes	10,181,000	10,071,000	10,564,914	493,914
Permits, Privilege Fees & Regulatory Licenses	64,000	64,000	51,681	(12,319)
Fines & Forfeitures	25,000	25,000	20,354	(4,646)
Revenues From Use Of Money & Property	485,000	485,000	920,257	435,257
Charges For Services	123,650	91,650	182,950	91,300
Miscellaneous	-	-	-	-
Recovered Costs	587,100	587,100	284,665	(302,435)
Intergovernmental	18,031,872	18,032,872	16,858,414	(1,174,458)
TOTAL REVENUES	\$ 44,397,622	\$ 44,265,737	\$ 45,887,594	\$ 1,621,857
EXPENDITURES:				
Current:				
General Government Administration	\$ 2,535,889	\$ 2,767,033	\$ 2,609,083	\$ 157,950
Judicial Administration	2,258,466	2,408,869	2,413,331	(4,462)
Public Safety	6,280,560	6,288,351	6,297,319	(8,968)
Public Works	448,417	466,417	486,575	(20,158)
Health & Welfare	10,699,013	11,898,181	12,396,184	(498,003)
Education	15,249,342	15,549,387	15,960,371	(410,984)
Parks, Recreation & Cultural	1,660,424	1,660,424	872,192	788,232
Community Development	704,959	714,466	532,441	182,025
Non-Departmental	485,758	401,265	255,603	145,662
Debt Service:				
Principal Retirement	441,241	441,241	353,934	87,307
Interest & Fiscal Charges	70,000	70,000	66,755	3,245
TOTAL EXPENDITURES	\$ 40,834,069	\$ 42,665,635	\$ 42,243,788	\$ 421,847
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 3,563,553	\$ 1,600,102	\$ 3,643,806	\$ 2,043,704
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	\$ 50,000	\$ 50,000	\$ 157,613	\$ 107,613
Operating Transfers Out	(4,563,305)	(4,563,305)	(3,995,840)	567,465
Proceeds From Issuance Of Debt	-	-	-	-
Prior Year Appropriations	949,752	3,113,203	-	(3,113,203)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (3,563,553)	\$ (1,400,102)	\$ (3,838,227)	\$ (2,438,125)
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	\$ -	\$ 200,000	\$ (194,421)	\$ (394,421)
FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED	-	-	14,609,172	14,609,172
FUND BALANCE AT END OF YEAR	\$ -	\$ 200,000	\$ 14,414,751	\$ 14,214,751

COUNTY OF WISE, VIRGINIA
 SCHEDULE OF CAPITAL ASSETS BY SOURCE
 FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT 10

	<u>TOTAL</u>
CAPITAL ASSETS:	
Land	\$ 13,558,000
Building and Building Improvements	31,767,628
Equipment	<u>2,945,557</u>
Total Capital Assets	<u>\$ 48,271,185</u>
INVESTMENT IN CAPITAL ASSETS BY SOURCE:	
Proceeds from Indebtedness	\$ 10,348,015
General Fund Revenues	<u>37,923,170</u>
TOTAL INVESTMENT IN CAPITAL ASSETS	<u>\$ 48,271,185</u>

COUNTY OF WISE, VIRGINIA
 SCHEDULE OF CAPITAL ASSETS BY FUNCTION
 FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT 11

	<u>LAND</u>	<u>BUILDING and BUILDING IMPROVEMENTS</u>	<u>EQUIPMENT</u>	<u>TOTAL</u>
PRIMARY GOVERNMENT:				
<u>GENERAL FUND</u>				
General Government Administration	650,000	7,328,024	958,471	8,936,495
Judicial Administration	-	24,500	42,629	67,129
Public Safety	240,000	2,519,012	1,561,452	4,320,464
Public Works	160,000	332,003	58,959	550,962
Health & Welfare	275,000	3,014,830	324,046	3,613,876
Education	-	8,413,922	-	8,413,922
Parks, Recreation & Cultural	225,000	2,064,100	-	2,289,100
Community Development	12,008,000	8,071,238	-	20,079,238
TOTAL GENERAL FUND				
CAPITAL ASSETS BY FUNCTION	13,558,000	31,767,629	2,945,557	48,271,186
<u>SPECIAL REVENUE FUND</u>				
<u>EMERGENCY 911 FUND</u>				
Public Safety	-	25,000	592,395	617,395
<u>WISE DEVELOPMENT FUND</u>				
Public Safety	-	-	34,776	34,776
TOTAL SPECIAL REVENUE FUND				
CAPITAL ASSETS BY FUNCTION	-	25,000	627,171	652,171
TOTAL PRIMARY GOVERNMENT				
CAPITAL ASSETS BY FUNCTION	13,558,000	31,792,629	3,572,728	48,923,357

COUNTY OF WISE, VIRGINIA
 SCHEDULE OF CHANGES IN CAPITAL ASSETS BY FUNCTION
 FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT 12

	<u>CAPITAL ASSETS JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>CAPITAL ASSETS JUNE 30, 2007</u>
PRIMARY GOVERNMENT:				
<u>GENERAL FUND</u>				
General Government Administration	\$ 8,733,184	\$ 288,703	\$ 85,392	\$ 8,936,495
Judicial Administration	15,974	51,155	-	67,129
Public Safety	5,330,294	253,914	1,263,744	4,320,464
Public Works	571,749	15,843	36,630	550,962
Health & Welfare	3,593,876	20,000	-	3,613,876
Education	9,204,217	-	790,295	8,413,922
Parks, Recreation & Cultural	2,289,100	-	-	2,289,100
Community Development	<u>20,079,238</u>	<u>-</u>	<u>-</u>	<u>20,079,238</u>
TOTAL GENERAL FUND	49,817,632	629,615	2,176,061	48,271,186
SPECIAL REVENUE FUND				
<u>EMERGENCY 911 FUND</u>				
Public Safety	<u>597,858</u>	<u>19,537</u>	<u>-</u>	<u>617,395</u>
<u>Wise Development Fund</u>				
Public Safety	<u>12,772</u>	<u>22,004</u>	<u>-</u>	<u>34,776</u>
TOTAL SPECIAL REVENUE FUND	<u>610,630</u>	<u>41,541</u>	<u>-</u>	<u>652,171</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 50,428,262</u>	<u>\$ 671,156</u>	<u>\$ 2,176,061</u>	<u>\$ 48,923,357</u>

FIDUCIARY FUNDS

Fiduciary Funds are trust and agency funds used to account for assets held by the government in a trustee capacity and as an agent for individuals, private organizations, other governments and/or other funds.



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COUNTY OF WISE, VIRGINIA
 COMBINING SCHEDULE OF FIDUCIARY
 NET ASSETS - AGENCY FUNDS
 AT JUNE 30, 2007

EXHIBIT 13

	SPECIAL WELFARE FUND	LOCAL SALES TAX FUND	LONESOME PINE YOUTH SERVICES FUND	TOTALS
<u>ASSETS</u>				
Cash	\$ 128,899	\$ -	\$ 29,027	\$ 157,926
Due From Other Governmental Units	-	251,505	-	251,505
TOTAL ASSETS	<u>\$ 128,899</u>	<u>\$ 251,505</u>	<u>\$ 29,027</u>	<u>\$ 409,431</u>
<u>LIABILITIES & FUND BALANCE</u>				
LIABILITIES:				
Due To:				
Social Service Clients	\$ 128,899	\$ -	\$ -	\$ 128,899
Governmental Units	-	44,116	29,027	73,143
Due To Other Funds	-	207,389	-	207,389
TOTAL LIABILITIES	<u>\$ 128,899</u>	<u>\$ 251,505</u>	<u>\$ 29,027</u>	<u>\$ 409,431</u>
FUND BALANCE:				
Unrestricted	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 128,899</u>	<u>\$ 251,505</u>	<u>\$ 29,027</u>	<u>\$ 409,431</u>



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SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.



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COUNTY OF WISE, VIRGINIA
 SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 AT JUNE 30, 2007

EXHIBIT 14

<u>ASSETS</u>	<u>EMERGENCY NUMBERS FUND</u>	<u>LAW LIBRARY FUND</u>	<u>DOG AND CAT STERILIZATION FUND</u>	<u>COAL ROAD IMPROVEMENT FUND</u>	<u>COMMUNITY DEVELOPMENT FUND</u>
Cash	\$ 107,008	\$ 67,261	\$ 43	\$ 84,625	\$ 12,778
Investments	-	-	-	5,472,056	-
Mineral Taxes Receivable	-	-	-	487,439	-
Accounts Receivable	-	-	-	-	-
Due From Other Funds	265	-	-	473,547	-
Governmental Units	-	-	-	-	-
TOTAL ASSETS	<u>\$ 107,273</u>	<u>\$ 67,261</u>	<u>\$ 43</u>	<u>\$ 6,517,667</u>	<u>\$ 12,778</u>
<u>LIABILITIES AND NET ASSETS</u>					
Accounts Payable	\$ 21,439	\$ 330	\$ 80	\$ 3,880	\$ -
Due to Other Funds	-	-	-	-	42,821
Governmental Units	-	-	-	663,552	-
TOTAL LIABILITIES	<u>\$ 21,439</u>	<u>\$ 330</u>	<u>\$ 80</u>	<u>\$ 667,432</u>	<u>\$ 42,821</u>
FUND BALANCES:					
Restricted	\$ 85,834	\$ 66,931	\$ (37)	\$ 5,850,235	\$ (30,043)
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 107,273</u>	<u>\$ 67,261</u>	<u>\$ 43</u>	<u>\$ 6,517,667</u>	<u>\$ 12,778</u>

WISE DEVELOPMENT FUND	INFORMATION TECHNOLOGY IMPROVEMENT FUND	SOFTWARE ENGINEERING INITIATIVE FUND	TRANSIENT OCCUPANCY TAX FUND	SHERIFF DRUG SEIZURE & FORFEITURE AND COMMISSION FUND	TOTALS
\$ 124,997	\$ 57,448	\$ 125,000	\$ 140,346	\$ 72,013	\$ 791,519
-	-	-	-	-	5,472,056
-	-	-	-	-	487,439
-	-	-	-	-	-
-	-	-	-	-	473,812
-	-	-	-	-	-
<u>\$ 124,997</u>	<u>\$ 57,448</u>	<u>\$ 125,000</u>	<u>\$ 140,346</u>	<u>\$ 72,013</u>	<u>\$ 7,224,826</u>
\$ 6,841	\$ -	\$ -	\$ -	\$ -	\$ 32,570
-	-	-	-	-	42,821
-	-	-	-	-	663,552
<u>\$ 6,841</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 738,943</u>
\$ 118,156	\$ 57,448	\$ 125,000	\$ 140,346	\$ 72,013	\$ 6,485,883
<u>\$ 124,997</u>	<u>\$ 57,448</u>	<u>\$ 125,000</u>	<u>\$ 140,346</u>	<u>\$ 72,013</u>	<u>\$ 7,224,826</u>

COUNTY OF WISE, VIRGINIA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES &
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT 15

	EMERGENCY NUMBERS FUND	LAW LIBRARY FUND	DOG AND CAT STERILIZATION FUND	COAL ROAD IMPROVEMENT FUND	COMMUNITY DEVELOPMENT FUND
REVENUES:					
Other Local Taxes	\$ 158,812	\$ -	\$ -	\$ 5,855,502	\$ -
Revenues From Use of Money & Property	3,307	-	-	302,644	-
Charges for Services	-	17,344	-	-	-
Fines & Forfeitures	-	-	-	-	-
Miscellaneous	-	-	992	-	-
Intergovernmental	\$ 61,508	-	-	-	190,035
TOTAL REVENUES	\$ 223,627	\$ 17,344	\$ 992	\$ 6,158,146	\$ 190,035
EXPENDITURES:					
General Government Administration	\$ -	\$ -	\$ -	\$ 295	\$ -
Judicial Administration	-	47,346	-	-	-
Public Safety	327,444	-	1,340	-	-
Public Works	-	-	-	433,595	-
Community Development	-	-	-	4,858,333	200,035
Debt Service:					
Principal Retirement	73,897	-	-	-	-
Interest & Fiscal Charges	8,182	-	-	-	-
TOTAL EXPENDITURES	\$ 409,523	\$ 47,346	\$ 1,340	\$ 5,292,223	\$ 200,035
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (185,896)	\$ (30,002)	\$ (348)	\$ 865,923	\$ (10,000)
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	225,154	46,880	100	\$ -	-
Operating Transfers Out	(112)	(6,947)	-	-	(100)
Debt Proceeds	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ 225,042	\$ 39,933	\$ 100	\$ -	\$ (100)
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	\$ 39,146	\$ 9,931	\$ (248)	\$ 865,923	\$ (10,100)
FUND BALANCE AT THE BEGINNING OF YEAR	46,688	57,000	211	4,984,312	(19,943)
FUND BALANCE AT THE END OF YEAR	\$ 85,834	\$ 66,931	\$ (37)	\$ 5,850,235	\$ (30,043)

WISE DEVELOPMENT FUND	INFORMATION TECHNOLOGY IMPROVEMENT UND	SOFTWARE ENGINEERING INITIATIVE FUND	TRANSIENT OCCUPANCY TAX FUND	DRUG SEIZURE & FORFEITURE, COMMISSION & RAID FUND	TOTAL
\$ -	\$ -	\$ -	\$ 33,323	\$ -	\$ 6,047,637
-	-	-	-	-	305,951
-	-	-	-	-	17,344
-	-	-	-	48,999	48,999
-	-	125,000	-	56,320	182,312
832,671	\$ -	\$ -	-	-	1,084,214
<u>\$ 832,671</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 33,323</u>	<u>\$ 105,319</u>	<u>\$ 7,686,457</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 295
-	-	-	-	-	47,346
-	-	-	-	142,259	471,043
-	-	-	-	-	433,595
695,681	5,919	-	-	-	5,759,968
-	-	-	-	-	73,897
-	-	-	-	-	8,182
<u>\$ 695,681</u>	<u>\$ 5,919</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 142,259</u>	<u>\$ 6,794,326</u>
\$ 136,990	\$ (5,919)	\$ 125,000	\$ 33,323	\$ (36,940)	\$ 892,131
-	-	-	-	1,400	273,534
✓ (150,454)	-	-	-	-	(157,613)
-	-	-	-	-	-
<u>\$ (150,454)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,400</u>	<u>\$ 115,921</u>
\$ (13,464)	\$ (5,919)	\$ 125,000	\$ 33,323	\$ (35,540)	\$ 1,008,052
131,620	63,367	-	107,023	107,553	5,477,831
<u>\$ 118,156</u>	<u>\$ 57,448</u>	<u>\$ 125,000</u>	<u>\$ 140,346</u>	<u>\$ 72,013</u>	<u>\$ 6,485,883</u>



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ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.



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COUNTY OF WISE, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AT JUNE 30, 2007

EXHIBIT 16

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	RIVERVIEW SEWER PROJECT FUND	VRA LANDFILL ENTERPRISE FUND	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 106,459	\$ 53,986	\$ 160,445
Investments	-	1,964,952	1,964,952
Reserved Escrow Deposit	13,500	-	13,500
Sinking Fund Deposits	-	1,952,090	1,952,090
Due From Other Funds	-	-	-
Due from Other Gov't Units	9,440	-	9,440
Receivables:			
Accounts (Net Allowance For Uncollectibles)	4,199	56,265	60,464
TOTAL CURRENT ASSETS	133,598	4,027,293	4,160,891
NONCURRENT ASSETS			
Land and Building (Net of Depreciation)	-	637,817	637,817
Equipment (Net of Depreciation)	-	697,592	697,592
Improvements Other Than Buildings (Net of Depreciation)	343,313	5,713,479	6,056,792
TOTAL NONCURRENT ASSETS	343,313	7,048,888	7,392,201
TOTAL ASSETS	\$ 476,911	\$ 11,076,181	\$ 11,553,092
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts Payable	\$ 56,441	\$ 165,548	\$ 221,989
Due to Other Funds	212,898	25	212,923
Accrued Compensated Absences	-	99,246	99,246
Current Portion of Long-Term Obligations	27,601	-	27,601
TOTAL CURRENT LIABILITIES	296,940	264,819	561,759
NONCURRENT LIABILITIES			
Noncurrent Portion of Long-Term Obligations	110,405	633,846	744,251
Accrued Landfill Closure Costs	-	5,586,485	5,586,485
TOTAL NONCURRENT LIABILITIES	110,405	6,220,331	6,330,736
TOTAL LIABILITIES	\$ 407,345	\$ 6,485,150	\$ 6,892,495
<u>NET ASSETS</u>			
Investment in Capital Assets, net of related debt	\$ -	\$ 7,138,222	\$ 7,138,222
Restricted Assets			
Restricted for:			
Cash for Debt Reserve	\$ 13,500	\$ -	\$ 13,500
Cash for Landfill Closing	-	1,952,090	1,952,090
Unrestricted Assets	\$ 56,066	\$ (4,499,281)	\$ (4,443,215)
TOTAL NET ASSETS	\$ 69,566	\$ 4,591,031	\$ 4,660,597
TOTAL LIABILITIES AND NET ASSETS	\$ 476,911	\$ 11,076,181	\$ 11,553,092

COUNTY OF WISE, VIRGINIA
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
& CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT 17

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	RIVERVIEW SEWER PROJECT FUND	VRA LANDFILL ENTERPRISE FUND	TOTAL
OPERATING REVENUES:			
Landfill Usage Fees	\$ -	\$ 414,781	\$ 414,781
Tipping Fees	-	46,003	46,003
Sewer Rents	48,418	-	48,418
Other Revenue	-	34,895	34,895
TOTAL REVENUE	\$ 48,418	\$ 495,679	\$ 544,097
OPERATING EXPENSES:			
Operation Expense	\$ 232,417	\$ 3,366,313	\$ 3,598,730
Landfill Closure Expense	-	474,022	474,022
Depreciation & Amortization	13,732	421,071	434,803
TOTAL OPERATING EXPENSES	\$ 246,149	\$ 4,261,406	\$ 4,507,555
NET OPERATING INCOME (LOSS)	\$ (197,731)	\$ (3,765,727)	\$ (3,963,458)
NON-OPERATING REVENUE (EXPENSE)			
Grants	\$ 47,963	\$ 11,946	59,909
Loss on Disposal of Equipment	-	(116,070)	(116,070)
Interest Revenue	1,812	220,290	222,102
Interest Expense	-	(27,798)	(27,798)
TOTAL NON-OPERATING REVENUE AND EXPENSE	49,775	88,368	138,143
INCOME (LOSS) BEFORE OPERATING TRANSFERS	\$ (147,956)	\$ (3,677,359)	\$ (3,825,315)
OPERATING TRANSFERS IN	187,079	3,535,227	\$ 3,722,306
OPERATING TRANSFERS OUT	-	-	\$ -
NET OPERATING TRANSFERS	187,079	3,535,227	3,722,306
NET INCOME (LOSS)	39,123	(142,132)	(103,009)
NET ASSETS, BEGINNING OF YEAR	30,443	4,733,163	4,763,606
NET ASSETS, END OF YEAR	\$ 69,566	\$ 4,591,031	\$ 4,660,597

COUNTY OF WISE, VIRGINIA
STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	BUSINESS-TYPE ACTIVITIES		
	ENTERPRISE FUNDS		
	RIVERVIEW SEWER PROJECT FUND	VRA LANDFILL ENTERPRISE FUND	TOTAL
Cash Flow From Operating Activities:			
Cash Received From Customers	\$ 47,412	\$ 496,708	\$ 544,120
Cash Payments to Suppliers for Goods & Services	(183,610)	(3,375,831)	(3,559,441)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (136,198)	\$ (2,879,123)	\$ (3,015,321)
Cash Flow From Noncapital Financing Activities:			
Operating Transfers From Other Funds	\$ 187,079	\$ 3,535,227	\$ 3,722,306
Decrease in Due To Other Gov't Units	630	25	655
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	\$ 187,709	\$ 3,535,252	\$ 3,722,961
Cash Flows From Capital & Related Financing Activities:			
Principal Paid on Bond Maturities	\$ (27,601)	\$ -	\$ (27,601)
Interest Paid on Debt Obligations	-	(27,798)	(27,798)
Principal Paid on General Obligation Loans	-	(137,272)	(137,272)
Proceeds on General Obligation Loans	-	-	-
NET CASH USED FOR CAPITAL & RELATED FINANCING ACTIVITIES	\$ (27,601)	\$ (165,070)	\$ (192,671)
Cash Flows From Investing Activities:			
Interest Revenue Earned on Investments	\$ 1,812	\$ 220,290	\$ 222,102
State Grant Receipts	47,963	11,946	59,909
Sinking Fund Deposits	-	(165,071)	(165,071)
Increase in Investments	-	(239,432)	(239,432)
Purchase of Equipment and IOTB	-	(298,397)	(298,397)
NET CASH PROVIDED FROM INVESTING ACTIVITIES	\$ 49,775	\$ (470,664)	\$ (420,889)
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	\$ 73,685	\$ 20,395	\$ 94,080
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	32,774	33,591	66,365
CASH & CASH EQUIVALENTS AT END OF YEAR	\$ 106,459	\$ 53,986	\$ 160,445

	BUSINESS-TYPE ACTIVITIES		
	ENTERPRISE FUNDS		
	RIVERVIEW SEWER PROJECT FUND	VRA LANDFILL ENTERPRISE FUND	TOTAL
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Net Operating Income	\$ (197,731)	\$ (3,765,727)	\$ (3,963,458)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	\$ 13,732	\$ 421,071	\$ 434,803
(Increase) Decrease in Accounts Receivable	(1,006)	1,029	23
Increase (Decrease) in Closure Cost Liability	-	474,022	474,022
Increase (Decrease) in Accrued Compensation	-	(19,584)	(19,584)
Increase (Decrease) in Accounts Payable	48,807	10,066	58,873
TOTAL ADJUSTMENTS	\$ 61,533	\$ 886,604	\$ 948,137
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (136,198)	\$ (2,879,123)	\$ (3,015,321)

DISCRETE COMPONENT UNIT
WISE COUNTY PUBLIC SERVICE AUTHORITY



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COUNTY OF WISE, VIRGINIA
 STATEMENT OF NET ASSETS - PROPRIETARY FUND
 DISCRETELY PRESENTED COMPONENT UNIT
 WISE COUNTY PUBLIC SERVICE AUTHORITY
 JUNE 30, 2007

EXHIBIT 19

<u>ASSETS</u>	<u>PUBLIC SERVICE</u>	
CURRENT ASSETS		
Cash	\$ 766,784	
Petty Cash	500	
Investments	1,900,767	
Reserved Deposits	1,795,035	
Due From Others	54,481	
Due From Other Governmental Units	-	
Bond Issuance Costs	13,146	
Receivable (Net Of Allowances For Uncollectibles):		
Accounts	<u>167,753</u>	
TOTAL CURRENT ASSETS		\$ 4,698,466
NONCURRENT ASSETS		
Capital Assets:		
Land and Easements	\$ 165,000	
Buildings and Equipment, Net of Depreciation	<u>20,580,473</u>	
TOTAL NONCURRENT ASSETS		<u>20,745,473</u>
TOTAL ASSETS		<u>\$ 25,443,939</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 76,853	
Due To Other Gov't Units	9,439	
Due To Customers - Deposits	342,895	
Premium on Bonds Payable	11,803	
Claims, Judgments & Compensated Absences	70,308	
Current Portion of Long-Term Obligations	<u>141,137</u>	
TOTAL CURRENT LIABILITIES		\$ 652,435
NONCURRENT LIABILITIES		
Noncurrent Portion of Long-Term Obligations	<u>\$ 3,021,053</u>	
TOTAL NONCURRENT LIABILITIES		\$ 3,021,053
TOTAL LIABILITIES		<u>\$ 3,673,488</u>
NET ASSETS		
Investment in Capital Assets, net of related debt	21,156,697	
Restricted Assets (Debt Service)	378,697	
Restricted Assets (Reserve Accounts)	1,073,443	
Restricted Assets (Customer Deposits)	342,895	
Unrestricted Assets	<u>(1,181,281)</u>	
TOTAL NET ASSETS		<u>\$ 21,770,451</u>
TOTAL LIABILITIES & NET ASSETS		<u>\$ 25,443,939</u>

COUNTY OF WISE, VIRGINIA
STATEMENT OF REVENUES, EXPENSES & CHANGES
IN NET ASSETS
PROPRIETARY FUND-DISCRETELY PRESENTED COMPONENT UNIT -
WISE COUNTY PUBLIC SERVICE AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2007

OPERATING REVENUES:		
Water Charges	\$ 1,571,433	
Miscellaneous	24,291	
TOTAL OPERATING INCOME		\$ 1,595,724
OPERATING EXPENSES:		
Salaries	\$ 761,614	
Payroll Taxes	58,507	
VRA Retirement & Life	79,315	
Hospitalization Insurance	163,705	
Dental Insurance	14,318	
Workers Compensation Insurance	22,451	
Uniform Rental	6,453	
Water Purchased	184,562	
Utilities	202,015	
Line Crew Supplies & Plant Expenses	94,851	
Chemicals	49,137	
Sampling	8,897	
Repairs & Maintenance	35,969	
Telephone & Telemetry	26,749	
Professional Services	9,658	
Office Expense/Postage	40,205	
Office Utilities & Telephone	10,194	
Office Rent	6,000	
Conferences & Continuing Education	375	
Licenses, Fees & Tags	3,174	
Insurance	20,535	
Vehicle Expense	51,925	
State Waterworks Fee	9,139	
Travel	20,165	
Miscellaneous	1,866	
Contribution Expense	49,719	
Compensation - Board Members	7,550	
Depreciation	540,182	
TOTAL OPERATING EXPENSES		<u>2,479,230</u>
Net Operating Income (Loss)		\$ (883,506)
NON-OPERATING REVENUES & (EXPENSES):		
Interest Income	\$ 103,292	
Penalties and Finance Charges	40,737	
Connection Fees	41,613	
Interest Expense	(55,929)	
NET NON-OPERATING REVENUES (EXPENSES)		<u>129,713</u>
Income (Loss) Before Other Revenues, Gains, Losses, and Transfers		\$ (753,793)
Federal Grants		190,035
County of Wise, Virginia		921,051
Other		<u>457,850</u>
Increase in Net Assets		815,143
Net Assets, Beginning Of Year		<u>20,955,308</u>
Net Assets, End Of Year		<u>\$ 21,770,451</u>

DISCRETE COMPONENT UNIT
SCHOOL BOARD



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COUNTY OF WISE, VIRGINIA
STATEMENT OF CASH FLOWS-PROPRIETARY FUND
DISCRETELY PRESENTED COMPONENT UNIT -
WISE COUNTY PUBLIC SERVICE AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2007

Cash Flow from Operating Activities:		
Cash Received from Customers	\$ 1,569,893	
Cash Payments to Suppliers for Goods & Services	(1,238,790)	
Cash Payments to Employees for Services	(747,938)	
Other Operating Revenues	<u>24,291</u>	
NET CASH PROVIDED BY OPERATING ACTIVITIES		\$ (392,544)
Cash Flow from Noncapital Financing Activities:		
Increase in Customer Deposits	\$ 4,270	
Connection Fees	41,613	
Penalties and Finance Charges	<u>40,737</u>	
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES		86,620
Cash Flows from Investing Activities:		
Interest on Investments	\$ <u>103,292</u>	
NET CASH PROVIDED BY INVESTING ACTIVITIES		103,292
Cash Flows from Capital & Related Financing Activities:		
Decrease in Due to Other Governmental Units	\$ (631)	
Increase in Due From Others	62,506	
Purchase of Equipment	(122,613)	
Construction of Capital Assets	(964,985)	
Purchase of Land	(100,000)	
Contributions & Grants	1,568,936	
Change in Retained Earnings	(77,250)	
Provision for Bond Premium and Issuance Costs	58	
Proceeds from Issuance of Debt	356,010	
Principal Paid on FHA Bonds	(138,566)	
Interest Paid on Revenue Bonds & Equipment Contracts	<u>(56,310)</u>	
NET CASH USED FOR CAPITAL & RELATED FINANCING ACTIVITIES		<u>527,155</u>
NET INCREASE IN CASH & CASH EQUIVALENTS		\$ 324,523
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>4,138,564</u>
CASH & CASH EQUIVALENTS AT END OF YEAR		<u>\$ 4,463,087</u>

COUNTY OF WISE, VIRGINIA
STATEMENT OF CASH FLOWS-PROPRIETARY FUND
DISCRETELY PRESENTED COMPONENT UNIT -
WISE COUNTY PUBLIC SERVICE AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2007

Reconciliation of Operating Income to Net Cash

Provided by Operating Activities:

Operating Income (Loss)		\$	(883,506)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	\$	540,182	
Provision for Uncollectible Accounts		15,016	
Provision for Compensated Absences		13,310	
Change in Assets & Liabilities:			
(Increase) Decrease in Accounts Receivable		(16,556)	
Increase (Decrease) in Accounts Payable		(111,075)	
Decrease in Plant & Lines (Contribution Expense)		49,719	
Increase (Decrease) in Wages Payable		366	
TOTAL ADJUSTMENTS			<u>490,962</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES

\$ (392,544)

COUNTY OF WISE, VIRGINIA
 COMBINING BALANCE SHEET
 DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
 AT JUNE 30, 2007

EXHIBIT 22

	<u>ASSETS</u>	<u>COMPONENT UNIT</u> <u>SCHOOL BOARD</u>
Cash and Cash Equivalents		\$ 5,017,988
Accounts Receivable		10,975
Due From Other Governmental Units		<u>2,289,320</u>
TOTAL ASSETS		<u>\$ 7,318,283</u>
	<u>LIABILITIES</u>	
Accounts Payable		\$ 579,276
Due to Primary Government		<u>2,004,389</u>
TOTAL LIABILITIES		<u>\$ 2,583,665</u>
	<u>FUND EQUITY</u>	
FUND BALANCES:		
Undesignated		<u>\$ 4,734,618</u>
TOTAL FUND EQUITY		\$ 4,734,618
 Detailed explanation of adjustments from fund statements to government-wide statement of net assets:		
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the locality as a whole.		\$ 21,545,962
Adjustment for amounts due to / due from primary government.		\$ 2,004,389
Long-term liabilities applicable to the locality's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of net assets.		<u>\$ (2,471,436)</u>
Net Assets of General Government Activities		<u><u>\$ 25,813,533</u></u>

COUNTY OF WISE, VIRGINIA
 STATEMENT OF REVENUES, EXPENDITURES
 & CHANGES IN FUND BALANCES
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT 23

COMPONENT UNIT
SCHOOL FUND

	<u>TOTALS</u>
REVENUES:	
Revenues From Use Of Money & Property	\$ 73,740
Charges For Services	1,090,901
Miscellaneous	348,138
Recovered Costs	217,407
Intergovernmental	65,108,163
TOTAL REVENUES	<u>\$ 66,838,349</u>
EXPENDITURES:	
Education	63,284,609
Capital Outlay	2,004,866
TOTAL EXPENDITURES	<u>\$ 65,289,475</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 1,548,874</u>
OTHER FINANCING SOURCES (USES):	
Operating Transfers In	\$ 15,079
Operating Transfers Out	(15,079)
Proceeds From Debt	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -</u>
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	<u>\$ 1,548,874</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>3,185,744</u>
FUND BALANCE AT END OF YEAR	<u><u>4,734,618</u></u>

COUNTY OF WISE, VIRGINIA
 STATEMENT OF REVENUES, EXPENDITURES
 & CHANGES IN FUND BALANCES-BUDGET & ACTUAL
 DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
 FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT 24

	BUDGET AS AMENDED	ACTUAL	VARIANCE FROM AMENDED POSITIVE (NEGATIVE)
REVENUES:			
Revenues From Use Of Money & Property	\$ 47,500	\$ 73,740	\$ 26,240
Charges For Services	1,585,100	1,090,901	(494,199)
Miscellaneous	4,970,700	348,138	(4,622,562)
Recovered Costs	232,200	217,407	(14,793)
Intergovernmental	68,578,700	65,108,163	(3,470,537)
TOTAL REVENUES	\$ 75,414,200	\$ 66,838,349	\$ (8,575,851)
EXPENDITURES:			
General Government Administration	\$ -	\$ -	\$ -
Judicial Administration	-	-	-
Public Works	-	-	-
Education	71,028,700	63,284,609	7,744,091
Community Development	-	-	-
Non-Departmental	-	-	-
Capital Outlay	4,385,500	2,004,866	2,380,634
TOTAL EXPENDITURES	\$ 75,414,200	\$ 65,289,475	\$ 10,124,725
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ 1,548,874	\$ 1,548,874
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	\$ -	15,079	\$ 15,079
Operating Transfers Out	-	(15,079)	(15,079)
Proceeds From Debt	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ -	\$ -	\$ -
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	\$ -	\$ 1,548,874	\$ 1,548,874
FUND BALANCE AT BEGINNING OF YEAR (As Restated)	-	3,185,744	3,185,744
FUND BALANCE AT END OF YEAR	\$ -	\$ 4,734,618	\$ 4,734,618

COUNTY OF WISE, VIRGINIA
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
 FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT 25

	<u>COMPONENT UNIT SCHOOL BOARD</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ 1,548,874
Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, these costs represent expenses of the current year.	\$ (205,126)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	\$ 407,246
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	<u>(410,124)</u>
Change in net assets of governmental activities	<u>\$ 1,340,870</u>

COUNTY OF WISE, VIRGINIA
SCHEDULE OF CAPITAL ASSETS BY SOURCE
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT 26

	<u>COMPONENT UNIT- SCHOOL BOARD</u>
CAPITAL ASSETS:	
Land	\$ 1,358,879
Building and Building Improvements	43,566,965
Equipment	<u>6,706,128</u>
 TOTAL CAPITAL ASSETS	 <u>\$ 51,631,972</u>
 INVESTMENT IN CAPITAL ASSETS BY SOURCE:	
Primary Government Revenues	<u>51,631,972</u>
 TOTAL INVESTMENT IN CAPITAL ASSETS	 <u>\$ 51,631,972</u>

COUNTY OF WISE, VIRGINIA
 SCHEDULE OF CAPITAL ASSETS BY FUNCTION
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT 27

	<u>LAND</u>	<u>BUILDING and BUILDING IMPROVEMENTS</u>	<u>EQUIPMENT</u>	<u>TOTAL</u>
EDUCATION	\$ 1,358,879	\$ 43,566,965	\$ 6,706,128	\$ 51,631,972
TOTAL	<u>\$ 1,358,879</u>	<u>\$ 43,566,965</u>	<u>\$ 6,706,128</u>	<u>\$ 51,631,972</u>

COUNTY OF WISE, VIRGINIA
 SCHEDULE OF CHANGES IN CAPITAL ASSETS BY FUNCTION
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 FOR THE YEAR ENDED JUNE 30, 2007

	CAPITAL ASSETS JULY 1, 2006	ADDITIONS	DELETIONS	CAPITAL ASSETS JUNE 30, 2007
EDUCATION	\$ 50,697,054	\$ 934,918	\$ -	\$ 51,631,972
TOTAL	\$ 50,697,054	\$ 934,918	\$ -	\$ 51,631,972

COUNTY OF WISE, VIRGINIA
 COMBINING BALANCE SHEET
 DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
 AT JUNE 30, 2007

EXHIBIT 29

	SCHOOL OPERATING FUND	GOVERNMENTAL FUNDS			TOTALS
		SCHOOL CAFETERIA FUND	TEXTBOOK RENTAL FUND	CAPITAL PROJECTS FUND	
<u>ASSETS</u>					
Cash	\$ 733,529	\$ 37,737	\$ 78,077	\$ -	\$ 849,343
Petty Cash	200	-	-	-	200
Investments	-	748,721	741,278	2,678,446	4,168,445
Accounts Receivable	10,976	-	-	-	10,976
Due From Other Governmental Units	2,275,078	14,242	-	-	2,289,320
Due From Other Funds	-	-	-	-	-
Fixed Assets (Net of Accumulated Depreciation)	-	-	-	-	-
Amount to Be Provided For the Retirement of General Long-Term Obligations	-	-	-	-	-
TOTAL ASSETS	<u>\$ 3,019,783</u>	<u>\$ 800,700</u>	<u>\$ 819,355</u>	<u>\$ 2,678,446</u>	<u>7,318,284</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 549,327	\$ 7,509	\$ -	\$ 22,441	579,277
Due To Other Funds	2,004,389	-	-	-	2,004,389
Claims, Judgments & Compensated Absences	-	-	-	-	-
State Literary Fund Loans	-	-	-	-	-
General Obligation Bonds	-	-	-	-	-
TOTAL LIABILITIES	<u>\$ 2,553,716</u>	<u>\$ 7,509</u>	<u>\$ -</u>	<u>\$ 22,441</u>	<u>2,583,666</u>
<u>FUND EQUITY</u>					
Investment in General Fixed Assets	\$ -	\$ -	\$ -	\$ -	-
FUND BALANCES:					
Undesignated	466,067	793,191	819,355	2,656,005	4,734,618
TOTAL FUND EQUITY	<u>\$ 466,067</u>	<u>\$ 793,191</u>	<u>\$ 819,355</u>	<u>\$ 2,656,005</u>	<u>4,734,618</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 3,019,783</u>	<u>\$ 800,700</u>	<u>\$ 819,355</u>	<u>\$ 2,678,446</u>	<u>7,318,284</u>

COUNTY OF WISE, VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 & CHANGES IN FUND BALANCES
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT 30

	GOVERNMENTAL FUNDS				TOTALS
	SCHOOL OPERATING FUND	SCHOOL CAFETERIA FUND	TEXTBOOK RENTAL FUND	CAPITAL PROJECTS FUND	
REVENUES:					
Revenues From Use Of Money & Property	\$ 19,825	\$ 36,052	\$ 17,863	\$ -	\$ 73,740
Charges For Services	100,374	990,527	-	-	1,090,901
Miscellaneous	346,602	-	1,536	-	348,138
Recovered Costs	217,407	-	-	-	217,407
Intergovernmental	60,245,559	1,539,577	668,443	2,654,584	65,108,163
TOTAL REVENUES	<u>\$ 60,929,767</u>	<u>\$ 2,566,156</u>	<u>\$ 687,842</u>	<u>\$ 2,654,584</u>	<u>\$ 66,838,349</u>
EXPENDITURES:					
Education	60,448,821	2,636,303	199,485	-	63,284,609
Capital Outlay	-	-	-	2,004,866	2,004,866
TOTAL EXPENDITURES	<u>\$ 60,448,821</u>	<u>\$ 2,636,303</u>	<u>\$ 199,485</u>	<u>\$ 2,004,866</u>	<u>\$ 65,289,475</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 480,946</u>	<u>\$ (70,147)</u>	<u>\$ 488,357</u>	<u>\$ 649,718</u>	<u>\$ 1,548,874</u>
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	\$ -	\$ 15,079	\$ -	\$ -	\$ 15,079
Operating Transfers Out	(15,079)	-	-	-	(15,079)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (15,079)</u>	<u>\$ 15,079</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXCESS OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	<u>\$ 465,867</u>	<u>\$ (55,068)</u>	<u>\$ 488,357</u>	<u>\$ 649,718</u>	<u>\$ 1,548,874</u>
FUND BALANCE AT BEGINNING OF YEAR	200	848,259	330,998	2,006,287	3,185,744
FUND BALANCE AT END OF YEAR	<u>\$ 466,067</u>	<u>\$ 793,191</u>	<u>\$ 819,355</u>	<u>\$ 2,656,005</u>	<u>4,734,618</u>



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SUPPLEMENTARY SCHEDULE



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FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FROM AMENDED POSITIVE (NEGATIVE)
PRIMARY GOVERNMENT:				
General Fund:				
Revenue From Local Sources:				
General Property Taxes:				
Real Property Taxes	\$ 7,600,000	\$ 7,610,000	\$ 8,408,099	\$ 798,099
Service Corporation Taxes	485,000	475,000	438,562	(36,438)
Personal Property Taxes	2,700,000	2,700,000	3,495,590	795,590
Machinery & Tool Taxes	2,750,000	2,750,000	3,303,222	553,222
Merchants Capital Taxes	760,000	760,000	799,338	39,338
Mobile Home Taxes	210,000	210,000	233,635	23,635
Penalties & Interest	395,000	404,115	325,913	(78,202)
TOTAL GENERAL PROPERTY TAXES	\$ 14,900,000	\$ 14,909,115	\$ 17,004,359	\$ 2,095,244
Other Local Taxes:				
Local Sales & Use Tax	\$ 2,400,000	\$ 2,400,000	\$ 2,572,217	\$ 172,217
Coal Severance Tax	6,050,000	6,050,000	6,103,554	53,554
Consumer's Utility Tax	875,000	875,000	883,123	8,123
Franchise Tax	270,000	270,000	209,462	(60,538)
Consumption Tax	110,000	-	124,505	124,505
Communication Taxes	200,000	200,000	411,385	211,385
Taxes on Recordation & Wills	150,000	150,000	126,811	(23,189)
County Decal Licenses	108,000	108,000	111,066	3,066
Transient Occupancy Tax	18,000	18,000	22,791	4,791
TOTAL OTHER LOCAL TAXES	\$ 10,181,000	\$ 10,071,000	\$ 10,564,914	\$ 493,914
Permits, Privilege Fees & Regulatory Licenses:				
Animal Licenses	\$ 4,000	\$ 4,000	\$ 2,722	\$ (1,278)
Permits & Other Licenses	60,000	60,000	48,959	(11,041)
TOTAL PERMITS, PRIVILEGE FEES & REGULATORY LICENSES	\$ 64,000	\$ 64,000	\$ 51,681	\$ (12,319)
Fines & Forfeitures:	\$ 25,000	\$ 25,000	\$ 20,354	\$ (4,646)
Revenue From The Use of Money & Property:				
Revenue From The Use of Money	\$ 420,000	\$ 420,000	\$ 844,806	\$ 424,806
Revenue From The Use of Property	65,000	65,000	75,451	10,451
TOTAL REVENUE FROM THE USE OF MONEY & PROPERTY	\$ 485,000	\$ 485,000	\$ 920,257	\$ 435,257
Charges For Services:				
Charges For Commonwealth's Attorney	\$ 1,650	\$ 1,650	\$ 2,360	\$ 710
Charges For County Offices	-	-	5,697	5,697
Charges For Court	30,000	30,000	34,351	4,351
Charges For Health	32,000	-	30,639	30,639
Charges For Social Services	60,000	60,000	109,903	49,903
TOTAL CHARGES FOR SERVICES	\$ 123,650	\$ 91,650	\$ 182,950	\$ 91,300
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
TOTAL MISCELLANEOUS REVENUE	\$ -	\$ -	\$ -	\$ -

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FROM AMENDED POSITIVE (NEGATIVE)
PRIMARY GOVERNMENT:				
General Fund:				
Revenue From Local Sources:				
Recovered Costs:				
City of Norton-Shared Services	\$ 81,600	\$ 81,600	\$ 164,875	\$ 83,275
CEDA Tourism	119,190	119,190	-	(119,190)
Miscellaneous	386,310	386,310	119,790	(266,520)
Adult Confinement Local Facilities	-	-	-	-
TOTAL RECOVERED COSTS	\$ 587,100	\$ 587,100	\$ 284,665	\$ (302,435)
TOTAL REVENUE FROM LOCAL SOURCES	\$ 26,365,750	\$ 26,232,865	\$ 29,029,180	\$ 2,796,315
Revenue From The Commonwealth:				
Non-Categorical Aid:				
Payments in Lieu of Taxes	\$ -	\$ -	\$ 165,109	\$ 165,109
ABC Profits	15,000	15,000	16,028	1,028
Wine Taxes	16,000	16,000	16,800	800
Rolling Stock Tax	40,000	40,000	106,741	66,741
Mobile Home Titling Taxes	100,000	100,000	220,735	120,735
Recordation Tax	-	-	54,901	54,901
Personal Property Tax Reimbursement	1,500,000	1,500,000	1,380,233	(119,767)
Miscellaneous Grants	-	-	27,235	27,235
Motor Vehicle Rental Tax	-	-	5,676	5,676
TOTAL NON-CATEGORICAL AID	\$ 1,671,000	\$ 1,671,000	\$ 1,993,458	\$ 322,458
Categorical Aid:				
Shared Expenses:				
Commonwealth's Attorney	\$ 533,278	\$ 533,278	\$ 531,270	\$ (2,008)
Sheriff	2,333,831	2,333,831	2,060,659	(273,172)
Commissioner of Revenue	200,000	200,000	198,696	(1,304)
Treasurer	190,500	190,500	178,969	(11,531)
Medical Examiner	900	900	120	(780)
Jail	-	-	-	-
Registrar/Electoral Board	-	-	59,001	59,001
Clerk of Circuit Court	517,842	517,842	443,788	(74,054)
TOTAL SHARED EXPENSES	\$ 3,776,351	\$ 3,776,351	\$ 3,472,503	\$ (303,848)
Other Categorical Aid:				
Public Assistance & Welfare Administration	\$ 1,515,057	\$ 1,516,057	\$ 2,320,135	\$ 804,078
M H & R Service Board	3,635,948	3,635,948	2,811,032	(824,916)
VA Heritage Music-Crooked Road	523,225	523,225	51,820	(471,405)
Dept of Military-Defense Preparedness	-	-	-	-
Disaster Planning-PL-Level II	-	-	-	-
Disaster Planning	-	-	-	-
Domestic Violence Grant	-	-	-	-
Haz-Mat - General	-	-	21,098	21,098
Haz-Mat - Training	-	-	-	-
SWVA Corrections - Justice	2,053,702	2,053,702	569,710	(1,483,992)
Victim Witness Grant - Justice	-	-	40,251	40,251
Sheriff Grants	26,372	26,372	26,372	-
Victim Witness Grant - Justice	-	-	40,000	40,000
Cultural Arts Grant	-	-	5,000	5,000
Fire Program Funds	-	-	66,314	66,314
Four-For-Life Rescue	-	-	29,456	29,456
School Resource Officer Grant	182,834	182,834	182,834	-

GOVERNMENTAL FUNDS DISCRETELY PRESENTED COMPONENT UNITS
 STATEMENT OF REVENUES-BUDGET ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2007

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FROM AMENDED POSITIVE (NEGATIVE)
PRIMARY GOVERNMENT:				
General Fund:				
Revenue From The Commonwealth:				
Categorical Aid:				
TOTAL OTHER CATEGORICAL AID	\$ 7,937,138	\$ 7,938,138	\$ 6,164,022	\$ (1,774,116)
TOTAL CATEGORICAL AID	\$ 11,713,489	\$ 11,714,489	\$ 9,636,525	\$ (2,077,964)
TOTAL REVENUE FROM THE COMMONWEALTH	\$ 13,384,489	\$ 13,385,489	\$ 11,629,983	\$ (1,755,506)
Revenue From The Federal Government:				
Payments in Lieu of Taxes	\$ -	\$ -	\$ 37,189	\$ 37,189
Categorical Aid:				
Public Assistance & Welfare Administration	\$ 3,462,383	\$ 3,462,383	\$ 3,981,067	\$ 518,684
ARC Flex-04 Grant 4-H Youth	-	-	2,937	2,937
M H & R Service Board	1,000,000	1,000,000	1,002,174	2,174
Rents & Royalties	-	-	2,689	2,689
DEQ Env Technical	-	-	-	-
Homeland Security Grant	80,000	80,000	84,333	4,333
Law Enforcement Terrorism Prevention	80,000	80,000	80,477	477
Violence Against Women - Justice	25,000	25,000	28,692	3,692
Community Development Grant	-	-	-	-
Ground Transportation	-	-	8,873	8,873
TOTAL CATEGORICAL AID	\$ 4,647,383	\$ 4,647,383	\$ 5,191,242	\$ 543,859
TOTAL REVENUE FROM THE FEDERAL GOVT.	\$ 4,647,383	\$ 4,647,383	\$ 5,228,431	\$ 581,048
TOTAL GENERAL FUND	\$ 44,397,622	\$ 44,265,737	\$ 45,887,594	\$ 1,621,857
TOTAL GENERAL FUND & OTHER FINANCING SOURCES	\$ 44,397,622	\$ 44,265,737	\$ 45,887,594	\$ 1,621,857
Special Revenue Funds:				
Emergency Numbers Funds:				
Revenue From Local Sources:				
Other Local Taxes:				
911 Emergency Number Tax	\$ 128,524	\$ 128,524	\$ 158,812	\$ 30,288
Revenue From the Use of Money & Property:				
Revenue From the Use of Money	\$ 3,307	\$ 3,307	\$ 3,307	\$ -
TOTAL REVENUE FROM LOCAL SOURCES	\$ 131,831	\$ 131,831	\$ 162,119	\$ 30,288
Revenue From The Commonwealth:				
Categorical Aid:				
Department of Technology Planning	61,508	61,508	61,508	-
TOTAL REVENUE FROM THE COMMONWEALTH	\$ 61,508	\$ 61,508	\$ 61,508	\$ -
TOTAL EMERGENCY NUMBERS FUND	\$ 193,339	\$ 193,339	\$ 223,627	\$ 30,288

<u>FUND, MAJOR & MINOR REVENUE SOURCE</u>	<u>ORIGINAL BUDGET</u>	<u>BUDGET AS AMENDED</u>	<u>ACTUAL</u>	<u>VARIANCE FROM AMENDED POSITIVE (NEGATIVE)</u>
Special Revenue Funds:				
Law Library Fund:				
Revenue From Local Sources:				
Charges For Services:				
Charges For Law Library	\$ 8,000	\$ 55,310	\$ 17,344	\$ (37,966)
TOTAL LAW LIBRARY FUND	\$ 8,000	\$ 55,310	\$ 17,344	\$ (37,966)
Coal Road Improvement Fund:				
Revenue From Local Sources:				
Other Local Taxes:				
Coal Severance Tax	\$ 4,517,000	\$ 4,517,000	\$ 5,855,502	\$ 1,338,502
Revenue From The Use of Money & Property:				
Revenue From The Use of Money	\$ 300,000	\$ 300,000	\$ 302,644	\$ 2,644
TOTAL COAL ROAD IMPROVEMENT FUND	\$ 4,817,000	\$ 4,817,000	\$ 6,158,146	\$ 1,341,146
Drug Seizure & Forfeiture, Commission and Special Funds:				
Sheriff Department:				
Revenue From Local Sources:				
Fines & Forfeitures:				
Fines & Forfeitures	\$ -	\$ -	\$ 48,999	\$ 48,999
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 56,320	\$ 56,320
TOTAL REVENUE FROM LOCAL SOURCES	\$ -	\$ -	\$ 105,319	\$ 105,319
TOTAL DRUG SEIZURE & FORFEITURE, COMMISSION & RAID FUND	\$ -	\$ -	\$ 105,319	\$ 105,319

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FROM AMENDED POSITIVE (NEGATIVE)
PRIMARY GOVERNMENT:				
Special Revenue Funds:				
Transient Occupancy Tax Fund				
Revenue From Local Sources:				
Other Local Taxes:				
Transient Occupancy Tax	\$ -	\$ -	\$ 33,323	\$ 33,323
Revenue From The Use of Money & Property:				
Revenue From The Use of Money	\$ -	\$ -	\$ -	\$ -
TOTAL TRANSIENT OCCUPANCY TAX FUND	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,323</u>	<u>\$ 33,323</u>
Dog & Cat Sterilization Fund:				
Revenue From Local Sources:				
Miscellaneous	\$ -	\$ -	\$ 992	\$ 992
TOTAL REVENUE FROM LOCAL	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 992</u>	<u>\$ 992</u>
TOTAL DOG & CAT STERILIZATION FUND	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 992</u>	<u>\$ 992</u>
Wise Development Fund				
Revenue From The Federal Government:				
Categorical Aid:				
Research Cooperative Agreement-NASA	\$ 580,580	\$ 715,017	\$ 832,671	\$ 117,654
TOTAL REVENUE FROM THE FEDERAL GOVERNMENT	<u>\$ 580,580</u>	<u>\$ 715,017</u>	<u>\$ 832,671</u>	<u>\$ 117,654</u>
TOTAL WISE DEVELOPMENT FUND	<u>\$ 580,580</u>	<u>\$ 715,017</u>	<u>\$ 832,671</u>	<u>\$ 117,654</u>
Software Engineering Initiative Fund:				
Revenue From Local Sources:				
Miscellaneous	\$ -	\$ -	\$ 125,000	\$ 125,000
TOTAL REVENUE FROM LOCAL SOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 125,000</u>
TOTAL SOFTWARE ENGINEERING INITIATIVE FUND	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 125,000</u>
Community Development Fund:				
Revenue From The Federal Government:				
Categorical Aid:				
South Fork Water Project	\$ -	\$ -	\$ -	\$ -
Nouth Fork Water Project	-	-	190,035	190,035
Business & Tech Park Access	-	-	-	-
Derby Community Renovation Project	-	-	-	-
TOTAL REVENUE FROM THE FEDERAL GOVERNMENT	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,035</u>	<u>\$ 190,035</u>
TOTAL COMMUNITY DEVELOPMENT FUND	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,035</u>	<u>\$ 190,035</u>
TOTAL SPECIAL REVENUE FUNDS	<u>\$ 5,598,919</u>	<u>\$ 5,780,666</u>	<u>\$ 7,686,457</u>	<u>\$ 1,905,791</u>
GRAND TOTAL REVENUES - PRIMARY GOVERNMENT	<u><u>\$ 49,996,541</u></u>	<u><u>\$ 50,046,403</u></u>	<u><u>\$ 53,574,051</u></u>	<u><u>\$ 3,527,648</u></u>
School Operating Fund:				
Revenue From Local Sources:				
Revenue From The Use of Money & Property:				
Revenue From The Use of Property	\$ 47,500	\$ 47,500	\$ 19,825	\$ (27,675)
Charges For Services:				
Charges For Education	\$ 12,000	\$ 12,000	\$ 100,374	\$ 88,374
Miscellaneous Revenue:				
Miscellaneous	\$ 2,946,500	\$ 2,946,500	\$ 346,602	\$ (2,599,898)

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FROM AMENDED POSITIVE (NEGATIVE)
COMPONENT UNIT - SCHOOL BOARD:				
Special Revenue Funds:				
School Operating Fund:				
Revenue From Local Sources:				
Recovered Costs:				
Payments From Other Localities	\$ 232,200	\$ 232,200	\$ 217,407	\$ (14,793)
TOTAL REVENUE FROM LOCAL SOURCES	<u>\$ 3,238,200</u>	<u>\$ 3,238,200</u>	<u>\$ 684,208</u>	<u>\$ (2,553,992)</u>
Intergovernmental:				
Revenue From Local Governments:				
Local Appropriations	<u>\$ 14,833,100</u>	<u>\$ 14,833,100</u>	<u>\$ 14,408,029</u>	<u>\$ (425,071)</u>
TOTAL INTERGOVERNMENTAL REVENUE FROM LOCAL APPROPRIATIONS	<u>\$ 14,833,100</u>	<u>\$ 14,833,100</u>	<u>\$ 14,408,029</u>	<u>\$ (425,071)</u>
Revenue From The Commonwealth:				
Categorical Aid:				
Share of State Sales & Use Taxes	\$ 6,635,300	\$ 6,635,300	\$ 6,077,253	\$ (558,047)
Basic School Aid	21,737,100	21,737,100	22,778,354	1,041,254
Remedial Education SOQ	697,900	697,900	711,348	13,448
Remedial Education - Summer	99,100	99,100	90,888	(8,212)
Gifted SOQ	213,500	213,500	217,651	4,151
Special Education	1,905,800	1,905,800	1,836,765	(69,035)
Vocational Education	1,108,400	1,108,400	1,003,319	(105,081)
Vocational Education-Adult	-	-	35,905	35,905
Share of Fringe Benefits	2,927,100	2,927,100	2,903,787	(23,313)
Reading Intervention	63,400	63,400	76,539	13,139
Governors/Magnet Schools	74,800	74,800	74,810	10
Electronic Classroom	453,300	453,300	158,608	(294,692)
SOL Algebra Readiness	105,600	105,600	96,384	(9,216)
Alternative Education	237,100	237,100	235,410	(1,690)
Primary Class Size/K-3 Initiative	891,900	891,900	922,004	30,104
Foster Care	-	-	23,910	23,910
Compensation Supplement	567,700	567,700	578,634	10,934
Adult Literacy	401,400	401,400	269,908	(131,492)
Adult Occupational Prep & Equipment	-	-	74,435	74,435
Adult Secondary	-	-	6,736	6,736
GED Prep Program - ISAEP	23,600	23,600	23,576	(24)
GED Testing	-	-	78,927	78,927
Enrollment Loss	147,100	147,100	12,303	(134,797)
At Risk	847,400	847,400	864,018	16,618
At Risk - Four-Year Olds	549,300	549,300	340,527	(208,773)
Technology Initiative	518,000	518,000	492,000	(26,000)
Homebound	-	-	62,802	62,802
Virtual Advanced Placement	628,500	628,500	465,867	(162,633)
School Report Card	-	-	7,345	7,345
Industry Certification	-	-	5,046	5,046
Teacher Incentive-Mentor	-	-	10,831	10,831
TOTAL REVENUE FROM THE COMMONWEALTH	<u>\$ 40,833,300</u>	<u>\$ 40,833,300</u>	<u>\$ 40,535,890</u>	<u>\$ (297,410)</u>
Revenue From The Federal Government:				
Categorical Aid:				
Adult Literacy	\$ 261,200	\$ 261,200	\$ 253,794	\$ (7,406)
Title I	3,203,000	3,203,000	2,304,987	(898,013)

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FROM AMENDED POSITIVE (NEGATIVE)
COMPONENT UNIT - SCHOOL BOARD:				
Special Revenue Funds:				
School Operating Fund:				
Revenue From The Federal Government:				
Title II - Part A	40,400	40,400	240,624	200,224
Title II - Ed Technology / Part D	495,500	495,500	-	(495,500)
Title II - D Regular	-	-	1,000	1,000
Forest Reserve	20,000	20,000	20,117	117
Jobs Training Partnership Act (JTPA)	1,396,700	1,396,700	-	(1,396,700)
Homeless	510,000	510,000	-	(510,000)
National Community Service	-	-	-	-
Even Start	-	-	-	-
Title VI - B - Flow Through	1,500,700	1,500,700	1,340,302	(160,398)
Vocational Education	173,100	173,100	103,064	(70,036)
Title IV Part A, Subpart 1 / Drug Free	51,500	51,500	47,651	(3,849)
Title V - Part A	35,300	35,300	-	(35,300)
Title X Grant - 21st Century	572,000	572,000	519,831	(52,169)
Title VI - Rural/Low Income Schools	-	-	212,069	212,069
Crude Oil Overbill (Department of Energy)	-	-	-	-
Pre-School Special Education	-	-	65,976	65,976
JROTC	-	-	-	-
Title VI, Part A, Subpart 1 / Calculators	-	-	42,225	42,225
TOTAL CATEGORICAL AID	<u>\$ 8,259,400</u>	<u>\$ 8,259,400</u>	<u>\$ 5,151,640</u>	<u>\$ (3,107,760)</u>
TOTAL REVENUE FROM THE FEDERAL GOVERNMENT	<u>\$ 8,259,400</u>	<u>\$ 8,259,400</u>	<u>\$ 5,151,640</u>	<u>\$ (3,107,760)</u>
Debt Service:				
Revenue from Commonwealth:				
Categorical Aid:				
Lottery Funds	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ -</u>
TOTAL CATEGORICAL AID	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ -</u>
TOTAL REVENUE FROM THE COMMONWEALTH	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ -</u>
TOTAL SCHOOL OPERATING FUND	<u>\$ 67,314,000</u>	<u>\$ 67,314,000</u>	<u>\$ 60,929,767</u>	<u>\$ (6,384,233)</u>
School Cafeteria Fund:				
Revenue From Local Sources:				
Revenue From The Use of Money & Property:				
Revenue From The Use of Money	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,052</u>	<u>\$ 36,052</u>
TOTAL REVENUE FROM THE USE OF MONEY & PROPERTY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,052</u>	<u>\$ 36,052</u>
Special Revenue Funds:				
School Cafeteria Fund:				
Charges For Services:				
Cafeteria Sales	<u>\$ 1,573,100</u>	<u>\$ 1,573,100</u>	<u>\$ 990,527</u>	<u>\$ (582,573)</u>
TOTAL REVENUE FROM LOCAL SOURCES	<u>\$ 1,573,100</u>	<u>\$ 1,573,100</u>	<u>\$ 1,026,579</u>	<u>\$ (546,521)</u>
Revenue From The Commonwealth:				
Categorical Aid:				
School Food	<u>\$ 45,100</u>	<u>\$ 45,100</u>	<u>\$ 43,676</u>	<u>\$ (1,424)</u>
TOTAL REVENUE FROM THE COMMONWEALTH	<u>\$ 45,100</u>	<u>\$ 45,100</u>	<u>\$ 43,676</u>	<u>\$ (1,424)</u>

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FROM AMENDED POSITIVE (NEGATIVE)
COMPONENT UNIT - SCHOOL BOARD:				
Revenue From The Federal Government:				
Categorical Aid:				
School Food Program Grant	\$ 1,250,000	\$ 1,250,000	\$ 1,495,901	\$ 245,901
TOTAL REVENUE FROM THE FEDERAL GOVERNMENT	<u>\$ 1,250,000</u>	<u>\$ 1,250,000</u>	<u>\$ 1,495,901</u>	<u>\$ 245,901</u>
TOTAL SCHOOL CAFETERIA FUND	<u>\$ 2,868,200</u>	<u>\$ 2,868,200</u>	<u>\$ 2,566,156</u>	<u>\$ (302,044)</u>
School Textbook Rental Fund:				
Revenue From Local Sources:				
Revenue From The Use of Money & Property:				
Revenue From The Use of Money	\$ -	\$ -	\$ 17,863	\$ 17,863
Miscellaneous	\$ 324,200	\$ 324,200	\$ 1,536	\$ (322,664)
TOTAL FROM LOCAL SOURCES	<u>\$ 324,200</u>	<u>\$ 324,200</u>	<u>\$ 19,399</u>	<u>\$ (304,801)</u>
Intergovernmental:				
Revenue From Local Governments:				
Local Appropriations	\$ -	\$ -	\$ 136,100	\$ 136,100
TOTAL INTERGOVERNMENTAL REVENUE FROM LOCAL APPROPRIATIONS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,100</u>	<u>\$ 136,100</u>
Revenue From The Commonwealth:				
Categorical Aid:				
Total Rental Payments	\$ 522,300	\$ 522,300	\$ 532,343	\$ 10,043
TOTAL REVENUE FROM THE COMMONWEALTH	<u>\$ 522,300</u>	<u>\$ 522,300</u>	<u>\$ 532,343</u>	<u>\$ 10,043</u>
TOTAL TEXTBOOK RENTAL FUND	<u>\$ 846,500</u>	<u>\$ 846,500</u>	<u>\$ 687,842</u>	<u>\$ (158,658)</u>
TOTAL SPECIAL REVENUE FUNDS	<u>\$ 71,028,700</u>	<u>\$ 71,028,700</u>	<u>\$ 64,183,765</u>	<u>\$ (6,844,935)</u>
School Capital Project Fund:				
Revenue From Local Sources:				
Revenue From The Use of Money & Property:				
Miscellaneous	\$ 1,700,000	\$ 1,700,000	\$ -	\$ (1,700,000)
TOTAL FROM LOCAL SOURCES	<u>\$ 1,700,000</u>	<u>\$ 1,700,000</u>	<u>\$ -</u>	<u>\$ (1,700,000)</u>
Intergovernmental:				
Revenue From Local Governments:				
Local Appropriations	\$ 1,000,000	\$ 1,000,000	\$ 1,365,100	\$ 365,100
TOTAL INTERGOVERNMENTAL REVENUE FROM LOCAL APPROPRIATIONS	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,365,100</u>	<u>\$ 365,100</u>
Revenue From The Commonwealth:				
Categorical Aid:				
Lottery Funds	\$ 1,477,000	\$ 1,477,000	\$ 1,080,579	\$ (396,421)
Public School Construction	208,500	208,500	208,905	405
TOTAL REVENUE FROM THE COMMONWEALTH	<u>\$ 1,685,500</u>	<u>\$ 1,685,500</u>	<u>\$ 1,289,484</u>	<u>\$ (396,016)</u>
TOTAL CAPITAL OUTLAY FUND	<u>\$ 4,385,500</u>	<u>\$ 4,385,500</u>	<u>\$ 2,654,584</u>	<u>\$ (396,016)</u>
GRAND TOTAL REVENUES - COMPONENT UNIT - SCHOOL BOARD	<u>\$ 75,414,200</u>	<u>\$ 75,414,200</u>	<u>\$ 66,838,349</u>	<u>\$ (7,240,951)</u>

GOVERNMENTAL FUNDS DISCRETELY PRESENTED COMPONENT UNITS
 STATEMENT OF EXPENDITURES - BUDGET ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2007

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FROM AMENDED POSITIVE (NEGATIVE)
PRIMARY GOVERNMENT:				
General Fund:				
General Government Administration:				
Legislative:				
Board Of Supervisors	\$ 362,523	\$ 517,936	424,381	\$ 93,555
General & Financial Administration:				
County Administrator	\$ 364,655	\$ 364,655	\$ 373,521	\$ (8,866)
Legal Services	128,639	129,472	113,096	16,376
Commissioner Of Revenue	512,494	514,796	500,030	14,766
Assessor	174,451	175,907	174,211	1,696
Data Processing	182,167	182,167	179,539	2,628
Treasurer	490,412	561,552	558,753	2,799
Geographic Information	155,073	155,073	151,661	3,412
TOTAL GENERAL & FINANCIAL ADMINISTRATION	\$ 2,007,891	\$ 2,083,622	\$ 2,050,811	\$ 32,811
Board Of Elections:				
Electoral Board & Officials	\$ 60,510	\$ 60,510	\$ 31,672	\$ 28,838
Registrar	104,965	104,965	102,219	2,746
TOTAL BOARD OF ELECTIONS	\$ 165,475	\$ 165,475	\$ 133,891	\$ 31,584
TOTAL GENERAL GOVERNMENT ADMINISTRATION	\$ 2,535,889	\$ 2,767,033	\$ 2,609,083	\$ 157,950
Judicial Administration:				
Courts:				
Clerk Of The Circuit Court	\$ 749,327	\$ 800,752	\$ 774,944	\$ 25,808
Circuit Court	-	-	5,640	(5,640)
District Court	9,525	9,525	8,596	929
Magistrate	2,975	2,975	2,192	783
Juvenile & Domestic Relations Court	445,585	459,585	457,720	1,865
Sheriff	387,180	387,180	386,112	1,068
TOTAL COURTS	\$ 1,594,592	\$ 1,660,017	\$ 1,635,204	\$ 24,813
Commonwealth Attorney	\$ 608,030	\$ 692,408	\$ 728,374	\$ (35,966)
Victim Witness Protection	55,844	56,444	49,753	6,691
TOTAL JUDICIAL ADMINISTRATION	\$ 2,258,466	\$ 2,408,869	\$ 2,413,331	\$ (4,462)
Public Safety:				
Law Enforcement & Traffic Control:				
Sheriff	\$ 2,884,078	\$ 2,931,924	\$ 3,201,000	\$ (269,076)
Dispatcher/E911	226,990	226,990	218,816	8,174
TOTAL LAW ENFORCEMENT & TRAFFIC CONTROL	\$ 3,111,068	\$ 3,158,914	\$ 3,419,816	\$ (260,902)
Fire & Rescue Services:				
Fire & Rescuc Departments	\$ 449,300	\$ 450,614	\$ 441,515	\$ 9,099
TOTAL FIRE & RESCUE SERVICES	\$ 449,300	\$ 450,614	\$ 441,515	\$ 9,099
Correction & Detention:				
SWVA Community Corrections Center	\$ 552,706	\$ 569,710	\$ 568,471	\$ 1,239
SW Regional Jail Authority	1,340,892	1,340,892	1,315,892	25,000

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FROM AMENDED POSITIVE (NEGATIVE)
PRIMARY GOVERNMENT:				
General Fund:				
Public Safety:				
Correction & Detention:				
TOTAL CORRECTION & DETENTION	\$ 1,893,598	\$ 1,910,602	\$ 1,884,363	\$ 26,239
Inspections:				
Building Inspector	\$ 224,130	\$ 243,303	\$ 244,799	\$ (1,496)
TOTAL INSPECTIONS	\$ 224,130	\$ 243,303	\$ 244,799	\$ (1,496)
Other Protection:				
Emergency Services	\$ 376,491	\$ 298,945	\$ 93,213	\$ 205,732
Animal Control	225,973	225,973	213,613	12,360
TOTAL OTHER PROTECTION	\$ 602,464	\$ 524,918	\$ 306,826	\$ 218,092
TOTAL PUBLIC SAFETY	\$ 6,280,560	\$ 6,288,351	\$ 6,297,319	\$ (8,968)
Public Works:				
Maintenance Of Buildings & Grounds:				
General Properties	\$ 448,417	\$ 466,417	\$ 486,575	\$ (20,158)
TOTAL PUBLIC WORKS	\$ 448,417	\$ 466,417	\$ 486,575	\$ (20,158)
Welfare/Social Services:				
Health & Welfare:				
Health:				
Supplement To Local Health Department	\$ 450,102	\$ 450,102	\$ 450,102	\$ -
TOTAL HEALTH	\$ 450,102	\$ 450,102	\$ 450,102	\$ -
Mental Health & Mental Retardation:				
Mental Health	3,061,389	3,707,307	3,872,653	(165,346)
TOTAL MENTAL HEALTH & MENTAL RETARDATION	\$ 3,061,389	\$ 3,707,307	\$ 3,872,653	\$ (165,346)
Welfare/Social Services:				
Welfare Administration	\$ 7,093,722	\$ 7,646,972	\$ 7,746,065	\$ (99,093)
Property Tax Relief for Elderly	-	-	234,564	(234,564)
MEOC	-	-	-	-
Youth Service Board	20,000	20,000	20,000	-
Agency On Aging	73,800	73,800	72,800	1,000
Group Home	-	-	-	-
TOTAL WELFARE/SOCIAL SERVICES	\$ 7,187,522	\$ 7,740,772	\$ 8,073,429	\$ (332,657)
TOTAL HEALTH & WELFARE	\$ 10,699,013	\$ 11,898,181	\$ 12,396,184	\$ (498,003)
Education:				
Local Public Schools	\$ 15,198,200	\$ 15,498,245	\$ 15,909,229	\$ (410,984)
UVA-Engineering Project	-	-	-	-
Community Colleges	\$ 51,142	\$ 51,142	\$ 51,142	-
TOTAL EDUCATION	\$ 15,249,342	\$ 15,549,387	\$ 15,960,371	\$ (410,984)

GOVERNMENTAL FUNDS DISCRETELY PRESENTED COMPONENT UNITS
 STATEMENT OF EXPENDITURES - BUDGET ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2007

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FROM AMENDED POSITIVE (NEGATIVE)
PRIMARY GOVERNMENT:				
General Fund:				
Parks, Recreation & Cultural:				
Parks & Recreation:				
Recreation Authority	\$ 40,000	\$ 40,000	\$ 39,980	\$ 20
TOTAL PARKS & RECREATION	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 39,980</u>	<u>\$ 20</u>
Library:				
Contributions To Local Libraries	\$ 1,620,424	\$ 1,620,424	\$ 820,212	\$ 800,212
TOTAL LIBRARY	<u>\$ 1,620,424</u>	<u>\$ 1,620,424</u>	<u>\$ 820,212</u>	<u>\$ 800,212</u>
Cultural:				
Pro-Art Association	\$ -	\$ -	\$ 12,000	\$ (12,000)
TOTAL CULTURAL	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,000</u>	<u>\$ (12,000)</u>
TOTAL PARKS, RECREATION & CULTURAL	<u>\$ 1,660,424</u>	<u>\$ 1,660,424</u>	<u>\$ 872,192</u>	<u>\$ 788,232</u>
Planning & Community Development:				
Economic Development	\$ 120,427	\$ 121,260	\$ 117,150	\$ 4,110
Housing Authority	25,000	25,000	25,000	-
Cumberland Airport Commission	90,000	90,000	68,903	21,097
Lenowisco	66,684	66,684	66,684	-
Planning Commission	8,050	8,050	8,125	(75)
Industrial Development Authority	135,000	135,000	135,000	-
Music Trail-Crooked Road	89,798	89,795	52,093	37,702
CEDA - Tourism	119,190	119,190	-	119,190
TOTAL PLANNING & COMMUNITY DEVELOPMENT	<u>\$ 654,149</u>	<u>\$ 654,979</u>	<u>\$ 472,955</u>	<u>\$ 182,024</u>
Community Development:				
Cooperative Extension Program:				
VPI & SU Extension Office	\$ 50,810	\$ 59,486	\$ 59,486	\$ 0
TOTAL COOPERATIVE EXTENSION PROGRAM	<u>\$ 50,810</u>	<u>\$ 59,486</u>	<u>\$ 59,486</u>	<u>\$ 0</u>
TOTAL COMMUNITY DEVELOPMENT	<u>\$ 704,959</u>	<u>\$ 714,466</u>	<u>\$ 532,441</u>	<u>\$ 182,025</u>
Non-Departmental				
Non-Departmental	\$ 485,758	\$ 401,265	\$ 255,603	\$ 145,662
TOTAL NON-DEPARTMENTAL	<u>\$ 485,758</u>	<u>\$ 401,265</u>	<u>\$ 255,603</u>	<u>\$ 145,662</u>
Debt Service:				
Principal Retirement	\$ 441,241	\$ 441,241	\$ 353,934	\$ 87,307
Interest & Fiscal Charges	70,000	70,000	66,755	3,245
TOTAL DEBT SERVICE	<u>\$ 511,241</u>	<u>\$ 511,241</u>	<u>\$ 420,689</u>	<u>\$ 90,552</u>
TOTAL GENERAL FUND	<u>\$ 40,834,069</u>	<u>\$ 42,665,635</u>	<u>\$ 42,243,788</u>	<u>\$ 421,847</u>

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FROM AMENDED POSITIVE (NEGATIVE)
PRIMARY GOVERNMENT:				
Special Revenue Funds:				
Law Library Fund:				
Judicial Administration:				
Courts:				
Law Library	\$ 55,310	\$ 55,310	\$ 47,346	\$ 7,964
TOTAL LAW LIBRARY FUND	<u>\$ 55,310</u>	<u>\$ 55,310</u>	<u>\$ 47,346</u>	<u>\$ 7,964</u>
Coal Road Improvement Fund:				
General Government Administration	\$ -	\$ -	\$ 295	\$ (295)
Public Works:				
Maintenance Of Highways, Streets, Bridges & Sidewalks:				
Coal Road Projects	\$ 250,000	\$ 250,000	\$ 433,595	\$ (183,595)
TOTAL PUBLIC WORKS	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 433,595</u>	<u>\$ (183,595)</u>
Community Development:				
Distribution to Towns	\$ 1,150,000	\$ 1,150,000	\$ 1,146,070	\$ 3,930
Community Development	3,417,000	3,417,000	3,712,263	(295,263)
TOTAL COMMUNITY DEVELOPMENT	<u>\$ 4,567,000</u>	<u>\$ 4,567,000</u>	<u>\$ 4,858,333</u>	<u>\$ (291,333)</u>
TOTAL COAL ROAD IMPROVEMENT FUND	<u>\$ 4,817,000</u>	<u>\$ 4,817,000</u>	<u>\$ 5,292,223</u>	<u>\$ (475,223)</u>
Emergency Numbers Fund:				
Public Safety:				
Law Enforcement & Traffic Control:				
911 System	\$ 336,415	\$ 336,415	\$ 327,444	\$ 8,971
TOTAL PUBLIC SAFETY	<u>\$ 336,415</u>	<u>\$ 336,415</u>	<u>\$ 327,444</u>	<u>\$ 8,971</u>
Debt Service:				
Principal Retirement	\$ 71,854	\$ 71,854	\$ 73,897	\$ (2,043)
Interest & Fiscal Charges	10,224	10,224	8,182	2,042
TOTAL DEBT SERVICE	<u>\$ 82,078</u>	<u>\$ 82,078</u>	<u>\$ 82,079</u>	<u>\$ (1)</u>
TOTAL EMERGENCY NUMBERS FUND	<u>\$ 418,493</u>	<u>\$ 418,493</u>	<u>\$ 409,523</u>	<u>\$ 8,970</u>
Drug Seizure & Forfeiture, Commission & Special Funds:				
Sheriff Department:				
Public Safety:				
Sheriff	\$ -	\$ -	\$ 142,259	\$ (142,259)
TOTAL PUBLIC SAFETY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 142,259</u>	<u>\$ (142,259)</u>
TOTAL DRUG SEIZURE & FORFEITURE, COMMISSION AND RAID FUND	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 142,259</u>	<u>\$ (142,259)</u>
Dog & Cat Sterilization Fund:				
Public Safety				
Other Protection:				
Animal Control	\$ -	\$ -	\$ 1,340	\$ 1,340
TOTAL PUBLIC SAFETY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,340</u>	<u>\$ 1,340</u>

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FROM AMENDED POSITIVE (NEGATIVE)
PRIMARY GOVERNMENT:				
Special Revenue Funds:				
Dog & Cat Sterilization Fund:				
Public Safety				
TOTAL DOG & CAT STERILIZATION FUND	\$ -	\$ -	\$ 1,340	\$ (1,340)
Information Technology Improvement Fund:				
Community Development:				
Technology	\$ -	\$ 7,500	\$ 5,919	\$ 1,581
TOTAL INFORMATION TECHNOLOGY IMPROVEMENT FUND	\$ -	\$ 7,500	\$ 5,919	\$ 1,581
TOTAL INFORMATION TECHNOLOGY FUND	\$ -	\$ 7,500	\$ 5,919	\$ 1,581
Wise Development Fund:				
Community Development:				
Community Project	\$ 580,580	\$ 715,017	\$ 846,135	\$ (131,118)
TOTAL COMMUNITY DEVELOPMENT	\$ 580,580	\$ 715,017	\$ 846,135	\$ (131,118)
TOTAL WISE DEVELOPMENT FUND	\$ 580,580	\$ 715,017	\$ 846,135	\$ (131,118)
Community Development Fund:				
Community Development:				
Project-Bold Camp	\$ -	\$ -	\$ -	\$ -
Business & Tech Park Project	\$ -	\$ -	\$ 10,000	\$ (10,000)
North Fork Water Project	\$ -	\$ -	\$ 190,035	\$ (190,035)
South Fork Water Project	\$ -	\$ -	\$ -	\$ -
Derby Community Renovation Project	\$ -	\$ -	\$ -	\$ -
TOTAL COMMUNITY DEVELOPMENT	\$ -	\$ -	\$ 200,035	\$ (200,035)
TOTAL COMMUNITY DEVELOPMENT FUND	\$ -	\$ -	\$ 200,035	\$ (200,035)
TOTAL SPECIAL REVENUE FUNDS	\$ 5,871,383	\$ 6,013,320	\$ 6,944,780	\$ (931,460)
GRAND TOTAL EXPENDITURES - PRIMARY GOVERNMENT	<u>\$ 46,705,452</u>	<u>\$ 48,678,955</u>	<u>\$ 49,188,568</u>	<u>\$ (509,613)</u>
COMPONENT UNIT - SCHOOL BOARD:				
Special Revenue Funds:				
School Operating Fund:				
Education:				
Administration Of Schools	\$ 943,500	\$ 943,500	\$ 670,283	\$ 273,217
Instruction Costs:				
Classroom	\$ 38,003,500	\$ 38,003,500	\$ 37,514,794	\$ 488,706
Instructional Support:				
Student	1,593,000	1,593,000	1,311,178	281,822
Staff	5,667,300	5,667,300	4,424,840	1,242,460
Administration	4,818,000	4,818,000	3,928,593	889,407
TOTAL INSTRUCTION COSTS	<u>\$ 50,081,800</u>	<u>\$ 50,081,800</u>	<u>\$ 47,179,405</u>	<u>\$ 2,902,395</u>

COUNTY OF WISE, VIRGINIA
 GOVERNMENTAL FUNDS DISCRETELY PRESENTED COMPONENT UNITS
 STATEMENT OF EXPENDITURES - BUDGET ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2007

FUND, MAJOR & MINOR REVENUE SOURCE	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FROM AMENDED POSITIVE (NEGATIVE)
COMPONENT UNIT - SCHOOL BOARD:				
Special Revenue Funds:				
School Operating Fund:				
Operating Costs:				
Attendance & Health Services	\$ 1,045,100	\$ 1,045,100	\$ 909,732	\$ 135,368
Pupil Transportation	3,369,900	3,369,900	3,051,789	318,111
Operation & Maintenance Of School Plant	5,076,100	5,076,100	5,218,681	(142,581)
Non-Instructional	5,815,400	5,815,400	2,437,014	3,378,386
TOTAL OPERATING COSTS	\$ 15,306,500	\$ 15,306,500	\$ 11,617,216	\$ 3,689,284
TOTAL EDUCATION	\$ 66,331,800	\$ 66,331,800	\$ 59,466,904	\$ 6,864,896
Debt Service:				
Principal Retirement	\$ 780,000	\$ 780,000	\$ 779,845	\$ 155
Interest & Fiscal Charges	202,200	202,200	202,072	128
TOTAL DEBT SERVICE	\$ 982,200	\$ 982,200	\$ 981,917	\$ 283
TOTAL SCHOOL OPERATING FUND	\$ 67,314,000	\$ 67,314,000	\$ 60,448,821	\$ 6,865,179
School Cafeteria Fund:				
Education:				
Operating Costs	\$ 2,868,200	\$ 2,868,200	\$ 2,636,303	\$ 231,897
TOTAL SCHOOL CAFETERIA FUND	\$ 2,868,200	\$ 2,868,200	\$ 2,636,303	\$ 231,897
Textbook Rental Fund:				
Education:				
Operating Costs	\$ 846,500	\$ 846,500	\$ 199,485	\$ 647,015
TOTAL TEXTBOOK RENTAL FUND	\$ 846,500	\$ 846,500	\$ 199,485	\$ 647,015
Capital Project Fund:				
School Construction:				
Capital Outlays	\$ 4,385,500	\$ 4,385,500	\$ 2,004,866	\$ 2,380,634
TOTAL SCHOOL CONSTRUCTION	\$ 4,385,500	\$ 4,385,500	\$ 2,004,866	\$ 2,380,634
TOTAL CAPITAL PROJECT FUND	\$ 4,385,500	\$ 4,385,500	\$ 2,004,866	\$ 2,380,634
GRAND TOTAL EXPENDITURES, COMPONENT UNIT - SCHOOL BOARD	\$ 75,414,200	\$ 75,414,200	\$ 65,289,475	\$ 10,124,725

COUNTY OF WISE, VIRGINIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR COUNTY
 JUNE 30, 2007

SCHEDULE 3

WISE COUNTY (INCLUDING THE WISE COUNTY PUBLIC SERVICE AUTHORITY)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b - a) Unfunded Actuarial Accrued Liability (UAAL)	(a / b) Funded Ratio	(c) Covered Payroll	((b - a) / c) UAAL as % of Covered Payroll
June 30, 2007	\$32,044,266	\$32,826,150	\$781,884	97.62%	\$9,378,489	8.34%
June 30, 2006	\$27,613,660	\$28,674,533	\$1,060,873	96.30%	\$8,364,880	12.68%
June 30, 2005	\$25,862,321	\$29,123,470	\$3,261,149	88.80%	\$7,905,622	41.25%
June 30, 2004	\$25,072,489	\$24,487,777	(\$584,712)	102.39%	\$8,058,514	-7.26%
June 30, 2003	24,620,322	22,866,550	(1,753,772)	107.67%	7,779,859	-22.54%

WISE COUNTY SCHOOLS (NON-PROFESSIONAL EMPLOYEES)

June 30, 2007	\$7,474,327	\$9,332,330	\$1,858,003	80.09%	\$1,848,676	100.50%
June 30, 2006	\$6,498,023	\$8,080,477	\$1,582,454	80.42%	\$1,712,525	92.40%
June 30, 2005	\$6,189,105	\$8,026,236	\$1,837,131	77.11%	\$1,649,912	111.35%
June 30, 2004	\$6,111,481	\$7,276,148	\$1,164,667	83.99%	\$1,486,481	78.35%
June 30, 2003	\$6,178,587	\$6,454,445	\$275,858	95.73%	\$1,476,728	18.68%

COUNTY OF WISE, VIRGINIA
GENERAL GOVERNMENT REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS

SCHEDULE 4

FISCAL YEAR	GENERAL PROPERTY TAXES	OTHER LOCAL TAXES	PERMIT, PRIVILEGE FEES AND REGULATORY LICENSES		FINES & FORFEITURES	REVENUE FROM USE OF MONEY AND PROPERTY
			\$	\$		
2006-07	\$ 17,004,359	\$ 16,201,166	\$ 51,681	\$ 69,353	\$ 1,299,948	
2005-06	17,145,306	17,184,970	80,303	77,620	1,025,314	
2004-05	16,057,621	15,941,319	65,871	30,617	452,287	
2003-04	14,012,432	12,846,072	72,344	32,720	245,191	
2002-03	12,690,890	10,852,884	102,136	28,675	232,917	
2001-02	11,748,220	10,939,149	50,295	4,347	360,656	
2000-01	12,724,188	11,932,668	26,169	5,663	827,540	
1999-00	11,820,028	10,387,563	29,626	2,663	729,208	
1998-99	13,971,459	9,739,941	41,424	2,195	636,882	
1997-98	10,728,628	10,019,460	33,040	3,745	590,821	

FISCAL YEAR	CHARGES FOR SERVICES	MISCELLANEOUS	RECOVERED COSTS		INTER-GOVERNMENTAL	TOTAL
			\$	\$		
2006-07	\$ 1,291,195	\$ 530,450	\$ 502,072	\$ 80,807,592	\$ 117,757,816	
2005-06	1,196,407	662,857	402,123	76,554,141	114,329,041	
2004-05	1,259,067	587,221	665,678	75,748,924	110,808,605	
2003-04	1,244,203	1,017,386	724,298	72,647,211	102,841,857	
2002-03	1,172,673	306,224	715,021	57,636,789	83,738,209	
2001-02	1,359,270	261,069	773,571	50,218,574	75,715,151	
2000-01	1,405,243	222,240	667,942	53,670,774	81,482,427	
1999-00	1,375,845	269,135	684,133	45,267,547	70,565,748	
1998-99	1,406,267	200,931	580,880	42,457,123	69,037,102	
1997-98	1,575,219	117,140	537,613	40,487,228	64,092,894	

Notes: (1) Includes General, Special Revenue Funds and Component Unit - School Board. (Exclusive of capital projects funds)

SCHEDULE 5

COUNTY OF WISE, VIRGINIA
GOVERNMENT EXPENDITURES BY FUNCTION (1)
LAST TEN FISCAL YEARS

FISCAL YEAR	HEALTH AND WELFARE				TOTALS
	GENERAL ADMINISTRATION	JUDICIAL ADMINISTRATION	PUBLIC SAFETY	PUBLIC WORKS	
2006-07	\$ 2,609,378	\$ 2,460,677	\$ 6,768,362	\$ 920,170	\$ 79,244,980
2005-06	2,435,632	2,033,252	6,352,758	831,729	76,859,946
2004-05	2,065,348	1,781,370	6,159,167	690,916	73,499,591
2003-04	1,904,298	1,550,521	6,768,214	1,155,160	69,950,542
2002-03	2,036,832	1,634,549	5,747,227	1,060,934	52,588,652
2001-02	2,339,164	1,734,967	5,409,891	877,534	51,907,805
2000-01	1,782,680	1,727,460	5,159,893	3,256,712	49,637,501
1999-00	1,668,020	1,631,771	5,162,285	2,119,186	47,923,881
1998-99	1,471,070	1,297,099	4,033,695	2,503,828	45,006,936
1997-98	1,446,665	1,193,982	3,717,132	2,795,348	44,269,881

PARKS,

FISCAL YEAR	RECREATION & CULTURAL			TOTALS
	RECREATION & CULTURAL	COMMUNITY DEVELOPMENT	DEBT SERVICE	
2006-07	\$ 872,192	\$ 532,441	\$ 502,768	\$ 112,322,723
2005-06	829,339	547,097	580,878	108,146,594
2004-05	804,718	1,298,362	445,768	104,715,576
2003-04	716,065	4,847,872	225,087	98,097,035
2002-03	696,222	4,138,974	1,356,189	79,504,484
2001-02	758,228	4,240,275	1,351,583	75,739,392
2000-01	723,123	6,765,170	795,258	80,012,589
1999-00	722,469	3,047,603	664,530	69,749,385
1998-99	728,365	3,353,254	870,904	66,022,061
1997-98	706,818	3,406,846	809,873	64,426,331

Notes: (1) Includes General, Special Revenue, Component Unit - School Board and Debt Service Funds. (Exclusive of capital projects funds)

SCHEDULE 6

COUNTY OF WISE, VIRGINIA
 ASSESSED VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

FISCAL YEAR	PERSONAL		MACHINERY AND TOOLS		MERCHANT'S CAPITAL		MOBILE HOMES
	REAL ESTATE	PROPERTY					
2006-07	\$ 1,498,797,637	\$ 342,140,366	\$	281,527,290	\$	31,157,558	\$ 43,613,739
2005-06	1,466,488,034	320,440,992		241,866,889		27,474,402	40,590,687
2004-05	1,449,470,035	409,631,850		239,769,025		27,021,861	39,975,359
2003-04	1,402,880,488	319,218,724		229,631,704		26,179,626	34,975,388
2002-03	1,204,940,618	300,288,761		210,272,261		25,797,480	44,899,975
2001-02	1,012,850,850	295,243,171		201,932,382		25,571,511	43,756,544
2000-01	1,021,324,286	294,640,505		193,592,502		25,345,541	43,814,088
1999-00	1,063,680,532	266,465,556		191,389,404		23,869,023	44,912,571
1998-99	1,023,089,230	245,459,154		181,058,293		22,891,151	42,178,995
1997-98	1,016,639,114	246,793,327		184,088,698		21,303,023	38,945,621

PUBLIC UTILITIES

FISCAL YEAR	PERSONAL		MERCHANT'S CAPITAL		TOTAL
	PROPERTY	REAL ESTATE			
2006-07	\$ 418,372	\$ 75,756,574	\$	99,202	\$ 2,273,510,738
2005-06	523,376	83,993,059		90,500	2,181,467,939
2004-05	689,690	97,163,185		4,000	2,263,725,005
2003-04	594,230	94,231,231		37,500	2,107,748,891
2002-03	983,791	80,368,431		31,652	1,867,582,969
2001-02	693,753	75,819,953		13,000	1,655,881,164
2000-01	575,837	77,716,250		12,881	1,657,021,890
1999-00	733,043	78,921,154		-	1,669,971,283
1998-99	673,526	79,703,200		158	1,595,053,707
1997-98	760,533	80,928,871		140	1,589,459,327

SCHEDULE 7

COUNTY OF WISE, VIRGINIA
PROPERTY TAX RATES
LAST TEN FISCAL YEARS

FISCAL YEARS	PUBLIC UTILITIES									
	REAL ESTATE	PERSONAL PROPERTY	MACHINERY & TOOLS	MERCHANT'S CAPITAL	MOBILE HOMES	PERSONAL PROPERTY	REAL ESTATE	MERCHANT'S CAPITAL		
2006-07	0.57	1.49	1.15	2.85	0.57	1.49	0.57	2.85	0.57	0.57
2005-06	0.57	1.49	1.15	2.85	0.57	1.49	0.57	2.85	0.57	0.57
2004-05	0.57	1.49	1.15	2.85	0.57	1.49	0.57	2.85	0.57	0.57
2003-04	0.48	1.15	1.15	2.85	0.48	1.15	0.48	2.85	0.48	0.48
2002-03	0.48	1.15	1.15	2.85	0.48	1.15	0.48	2.85	0.48	0.48
2001-02	0.52	1.15	1.15	2.85	0.52	1.15	0.52	2.85	0.52	0.52
2000-01	0.52	1.15	1.15	2.85	0.52	1.15	0.52	2.85	0.52	0.52
1999-00	0.52	1.15	1.15	2.85	0.52	1.15	0.52	2.85	0.52	0.52
1998-99	0.52	1.15	1.15	2.85	0.52	1.15	0.52	2.85	0.52	0.52
1997-98	0.45	1.15	1.15	2.85	0.45	1.15	0.45	2.85	0.45	0.45

(1) Per \$100 of assessed value

(2) Tax Rate Increased From .48 per \$100 to .57 per \$100 for Real Estate Taxes

COUNTY OF WISE, VIRGINIA
PROPERTY TAX LEVIES & COLLECTIONS
LAST TEN FISCAL YEARS

SCHEDULE 8

FISCAL YEAR	TOTAL (1) TAX LEVY	CURRENT TAX (1) COLLECTIONS	PERCENT OF LEVY COLLECTED	DELINQUENT TAX (1) COLLECTIONS	TOTAL TAX COLLECTIONS	PERCENT OF TOTAL TAX COLLECTIONS OF TAX LEVY	OUTSTANDING DELINQUENT TAXES	PERCENT OF DELINQUENT TAXES TO TAX LEVY
2006-07	\$18,541,708	\$ 16,936,338	91.34%	\$ 1,122,341	\$ 18,058,679	97.39%	\$ 2,282,018	12.31%
2005-06	17,383,552	16,600,213	95.49%	1,429,301	18,029,514	103.72%	1,672,576	9.62%
2004-05	15,159,339	14,375,804	94.83%	1,283,999	15,659,803	103.30%	2,194,617	14.48%
2003-04	14,993,928	13,558,291	90.43%	1,460,261	15,018,552	100.16%	2,097,538	13.99%
2002-03	13,497,800	11,825,447	87.61%	1,713,445	13,538,892	100.30%	2,100,488	15.56%
2001-02	12,434,791	11,562,036	92.98%	1,073,869	12,635,905	101.62%	2,037,870	16.39%
2000-01	12,459,956	11,502,162	92.31%	873,983	12,376,145	99.33%	1,904,288	15.28%
1999-00	12,024,219	10,876,412	90.45%	658,487	11,534,899	95.93%	2,229,670	18.54%
1998-99	14,109,191	12,991,733	92.08%	681,230	13,672,963	96.91%	1,951,418	13.83%
1997-98	10,688,242	10,017,632	93.73%	418,931	10,436,563	97.65%	1,754,061	16.41%

Notes:

- (1) Beginning in May, 1999 the County of Wise began a dual tax ticket collection for real estate taxes only. The amount reported constitutes the assessment for the first half of the year. The remaining assessment will be due on October 15.

SCHEDULE 9

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

FISCAL YEAR	POPULATION (1)	ASSESSED VALUE (IN THOUSANDS) (2)	GROSS BONDED DEBT (3)	DEBT SERVICE MONIES AVAILABLE (4)	DEBT PAYABLE FROM ENTERPRISE REVENUES (5)	NET BONDED DEBT	RATIO OF BONDED DEBT TO ASSESSED VALUE		NET BONDED DEBT PER CAPITA
							DEBT SERVICE MONIES AVAILABLE	DEBT PAYABLE FROM ENTERPRISE REVENUES	
2005-06	40,123	\$ 2,273,510,738	\$ 11,246,545	0	\$ 771,850	\$ 10,474,695	0.46%		\$ 261.06
2004-05	40,123	2,181,467,939	12,776,974	0	936,725	11,840,249	0.54%		295.10
2004-05	40,123	2,263,725,005	12,514,637	0	495,597	12,019,040	0.53%		299.55
2003-04	40,123	2,074,137,816	13,850,603	0	1,095,334	12,755,269	0.61%		317.90
2002-03	40,123	1,867,582,969	14,699,145	0	1,898,410	12,800,735	0.69%		319.03
2001-02	40,123	1,664,447,012	16,523,934	0	2,810,168	13,713,766	0.82%		341.79
2000-01	40,123	1,657,021,890	17,885,530	0	3,589,824	14,295,706	0.86%		356.29
1999-00	39,573	1,669,971,283	14,589,831	0	4,166,213	10,423,618	0.62%		263.40
1998-99	39,573	1,595,053,707	4,236,748	0	358,815	3,877,933	0.24%		97.99
1997-98	39,573	1,589,459,327	4,148,001	0	386,416	3,761,585	0.24%		95.05
1996-97	39,573	1,485,342,514	5,094,382	0	834,017	4,260,365	0.29%		107.66

Notes:

- (1) Bureau of Census.
- (2) From Schedule 11.
- (3) Includes all long-term general obligation debt.
- (4) 100% of fair market value.
- (5) Includes General Obligation Debt payable from Enterprise Revenues.

COUNTY OF WISE, VIRGINIA
SCHEDULE OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

LEGAL DEBT LIMIT	
10% OF ASSESSED VALUE OF TAXABLE REAL ESTATE (INCLUDING PUBLIC UTILITY REAL ESTATE) (1,574,554,211 x .10)	\$ 157,455,421
DEDUCT	
GROSS BONDED DEBT	<u>11,246,545</u>
LEGAL MARGIN FOR CREATION OF ADDITIONAL DEBT	<u>\$ 146,208,876</u>

COMPLIANCE SECTION



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LARRY D. STURGILL, P. C.

LARRY D. STURGILL

MEMBER
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The Honorable Members of the Board of Supervisors
County of Wise
Wise, Virginia 24293

I have audited the financial statements of the governmental activities, and the major funds of the County of Wise, Virginia as of and for the year ended June 30 2007, and have issued my report thereon dated September 1, 2008, which collectively comprise the County of Wise, Virginia's basic financial statements. I conducted my 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 with the *Specifications for Audit of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the County's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the County's internal control over financial reporting.

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than and a remote likelihood

The Honorable Members of the
Board of Supervisors
County of Wise
Wise, Virginia 24293
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that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. I consider the control deficiencies in internal control to be significant deficiencies over the financial reporting, See the Internal Control Compliance Findings and Recommendation on pages 105 to 109.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control. I believe the significant deficiencies referenced above left unresolved may lead to material weaknesses. In addition, I noted other matters involving the internal control and its operation that I have reported to management that would improve operations and internal accounting control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the County of Wise, Virginia's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The County's response to the finding identified in my audit is described in the accompanying schedule of findings and responses. I did not audit the County's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Larry D. Sturgill
Certified Public Accountant
September 01, 2008

LARRY D. STURGILL, P. C.

LARRY D. STURGILL

MEMBER
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Members of the
Board of Supervisors
County of Wise
Wise, Virginia 24293

Supervisors:

Compliance

I have audited the compliance of the County of Wise, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. My responsibility is to express an opinion on the County's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the County of Wise, Virginia's compliance with those requirements.

In my opinion, Wise County, Virginia, complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

The Honorable Members of the
Board of Supervisors
County of Wise
Wise, Virginia 24293
Page 2

Internal Control Over Compliance

The management of the County of Wise, Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended for the information of Management, the Board of Supervisors, Federal and State awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Larry D. Sturgill
Certified Public Accountant
September 01, 2008

COUNTY OF WISE, VIRGINIA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTING AGENCY/RECEIPT STATE AGENCY/ GRANT PROGRAM/GRANT NUMBER	FEDERAL CATALOGUE NUMBER	EXPENDITURES
DEPARTMENT OF AGRICULTURE:		
Pass Through Payments:		
State Department of Agriculture:		
Food Distribution - Schools	10.555	\$ 164,331
Department Of Social Services:		
General Administration - Food Stamp Program (Cluster)	10.561	474,221
Department Of Education:		
National School Lunch Program (SL-4) (SL-11)	10.555	1,146,408
National School Breakfast	10.553	349,493
Total National School Food (Cluster)		<u>1,495,901</u>
 Federal Land Use - Forest Reserve	 10.665	 20,117
DEPARTMENT OF HEALTH & HUMAN SERVICES:		
Department of Social Services:		
Pass Through Payments:		
Department of Social Services:		
Admin Energy Assist - Heating	93.568	\$ 77,348
Admin Energy Assist - LIHEAP	93.568	14,202
Administration Refuge Other/Eligibility *	93.566	424
Administration TANF Allocation *	93.558	136,868
Adm IV-F/Tanf Allocation	93.558	177,371
Admin AFDC/TANF Allocation	93.558	106,167
View - Jobs Purchase TANF *	93.558	305,512
Temporary Assistance to Families-TANF	93.558	351
Foster Care - Title IV-E Administrative Foster Care	93.658	54,007
Foster Care - Title IV-E Residential Foster Care	93.658	119,035
Foster Care - Title IV-E Agency Foster Homes PC	93.658	99,029
Foster Care - Title IV-E Admin Foster Care Allocation	93.658	381,838
Foster Care - Title IV-E Admin Foster/Adoption TR	93.658	24,332
Foster Care - Title IV-LSCA	93.658	29,394
Statewide Fraud Program-Free	N/A	25,277
Administration Sub Adoption	93.659	261,487
IV-E Foster/Adoption Parent Training	93.659	47,250
Administration FAMIS Allocation	93.767	833
 Medicaid Cluster:		
Administration \ TXIX Allocation-Medical Asst Program	93.778	330,202
Administration \ Administration LSCA-TXIX	93.778	17,763
Central Service Cost Allocation	93.778	20,287
Administration - Medicaid	93.778	40,090
Total Medicaid (Cluster)		<u>408,342</u>
 Child Day Care (Cluster)		
Child Care Dev. Fund - Head Start	93.575	1,281
Child Day Care Fee at Risk *	93.575	158,103
Tanf Ed / Trng.: Non Jobs	93.575	2,415
Child Day Care - Quality Initiative	93.575	8,706
Child Day Care - Admin LSCA	93.596	85,750
Child Day Care - Service Delivery	93.596	113,439
Day Care - View, Transitional, Tanf.	93.596	102,464
Total Child Day Care (Cluster) *		<u>472,158</u>
 Chafee Foster Care Independence Program		
Social Service Block Grant *	93.674	8,759
ADM - Title XX Allocation *	93.667	197,500
ADM - Sub Adoption-PIP Service	93.667	525,696
SL Special Needs Adoption PS	93.667	376
	93.556	33,290

COUNTY OF WISE, VIRGINIA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTING AGENCY/RECEIPT STATE AGENCY/ GRANT PROGRAM/GRANT NUMBER	FEDERAL CATALOGUE NUMBER	EXPENDITURES
Department Of Mental Health and Mental Retardation		
Mental Health Planning **	93.958	173,686
Alcohol Abuse Services (50847-49) **	93.959	730,551
Mental Health of Juvenile Education Funds**	N/A 84.181	4,031 93,906
DEPARTMENT OF INTERIOR:		
Direct Payments:		
Bureau Of Land Management:		
Payment In Lieu Of Taxes - Public Law 97-258, (National Forest Acreage In The Localities)	15.000	37,189
FEDERAL EMERGENCY MANAGEMENT AGENCY:		
Direct Payments:		
State Homeland Security Grant	97.004	84,333
Law Enforcement - Terrorism	97.004	80,477
DEPARTMENT OF ENVIRONMENTAL QUALITY:		
Direct Payments:		
Financial Assistance-Rents & Royalties	N/A	2,689
DEPARTMENT OF EDUCATION:		
Pass Through Payments:		
Department of Education:		
Adult Education - State Administration Program (7E002694) (8E002615)	84.002	253,794
Education Consolidation & Improvement Act of 1981:		
Title I:		
Financial Assistance To Meet Special Educational Needs Of Disadvantaged Children - Programs Operated By Local Education Agencies (7E005740) (8E00570)	84.010	2,304,987
Title II:		
Part A	84.367	241,624
Vocational Education:		
Basic Grants To States (8E002628) (7E002685) (8E002607) (7E002688)	84.048	103,064
Special Projects:		
Drug Free Schools and Communities (7E003333)	84.186	47,651
Twenty First Century Grant *	84.287	519,831
IDEA 619 Flow-Through *	84.173	1,340,302
Title VI - Rural and Low-Income Schools	84.358	212,069
Title VI Part A	84.999	42,225
Pre-School Special Education	84.173	65,976

COUNTY OF WISE, VIRGINIA
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTING AGENCY/RECEIPT STATE AGENCY/ GRANT PROGRAM/GRANT NUMBER	FEDERAL CATALOGUE NUMBER	EXPENDITURES
DEPARTMENT OF CRIMINAL JUSTICE SERVICES: Violence Against Women	16.588	28,692
NASA LANGLEY RESEARCH CENTER: Research Cooperation Agreement-Wise Development Funds	N/A	832,671
DEPARTMENT OF MOTOR VEHICLES: Ground Transportation Open Container/Acohol Impaired Driving	20.000	8,873
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT: Community Development Grant-Flex Grant	14.228	2,937
Economic Development - North Fork Water Projects	14.228	190,035
TOTAL FEDERAL ASSISTANCE		\$ 13,063,009

* Identified as a major program

** Funds received by County of Wise, Virginia in an agency capacity passed through to Planning District I.

*** Funds received by County of Wise, Virginia in an agency capacity passed through to Fiduciary Fund.



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COUNTY OF WISE, VIRGINIA
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2007

Section I - Summary of Auditor's Results
Financial Statements

Type of Auditor's reports issued: Unqualified

Internal Control over financial reporting:

Material weaknesses identified? No

Significant Deficiencies identified not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unqualified

Internal control over major problems:

Material weaknesses identified? No

Significant Deficiencies identified not considered to be material weaknesses? None reported

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)? No

Identification of major programs:

CFDA#	Type	Name of Federal Program or Cluster	Risk Type
93.596	A	DSS Child Day Care Cluster	High
93.667	A	DSS - Title XX - Admin	High
84.173	A	Ideal -619	High
82.287	A	Twenty First Century	High
93.558	B	Admin TANF Allocation	High
93.558	B	Admin IV-F TANF Allocation	High
93.558	B	View-Jobs-Purchase TANF	High
93.667	B	Social Service Block Grant	High
93.575	B	Child Day Care - At Risk	High

Dollar threshold used to distinguish between Type A and Type B programs \$391,890

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Findings

There are no financial statement findings to report.

Section III – Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.



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Internal Control Findings and Recommendations:

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statement that is more than inconsequential, will not be prevented or detected. Control deficiencies detected in my fiscal year 2007 audit considered to be significant deficiencies are as follows:

Finding 1: Departmental Internal Control- Segregation of Duties (Significant Deficiency): During our audit, I found that the County does not have adequate staff to segregate duties sufficiently to reduce the risks of fraud or error and properly safeguard the assets of the County. The County failed to establish policies and procedures which address the risks associated with achieving the County's internal control objectives. The County's internal control system failed to provide a low audit risk. The County's governing body failed to provide effective oversight of the County's financial reporting and internal control. Management (the Board) is responsible for establishing internal control that provides for the achievement of the County's objectives with regard to reliable financial reporting, effectiveness, and efficiency of operations, and compliance with applicable laws and regulations. The County utilized an independent external Certified Public Accountant to provide direct oversight over financial reporting throughout fiscal year of 2007 and that mitigated the risk of a material misstatement through error or fraud not being detected.

Recommendation: I recommend that management (the Board) oversight be done on a periodic basis to review departmental reconciliations and hire additional staff sufficient to ensure a proper segregation of duties. The Board should continue constantly be aware of the need for adequate separation of duties to have a proper internal control structure.

Managements Response: The County concurs that a lack of segregation of duties exists.

Remediation: The County is in the process of hiring a Chief Financial Officer and will fill this position no later than November, 2008. The Chief Financial Officer position has the full support of the governing Board of Supervisors to reorganize the County's internal structure and hire additional staff accordingly. On January 1, 2008, the County benefited greatly when a Certified Public Accountant was elected to the Treasurer's office. The newly elected Board of Supervisors includes a Certified Public Accountant/Accounting Professor and a member who has expertise in governmental budgeting and budgeting controls. Interim controls implemented includes the approval and monitoring of all adjusting entries by the County Administrator and the Treasurer which ensures reconciliation between the County's general ledger and payroll accounting systems. The County Administrator is reviewing and approving, as evident by signature, all expenditures of the County. The Board of Supervisors is providing the current administrative staff with recommendations and providing direct oversight of the budgeting and expenditure process.

Finding 2: Control Environment (Significant Deficiency): The County failed to define the policies and procedures in a manner that identifies internal control relevant to budgetary control, receiving, processing and distributing vendor and payroll checks on the behalf of the County's constitutional officers. This failure, arising from legal issues, resulted in delaying and/or prevented the auditors from performing the normal audit procedures required by the Auditor of Public Accounts.

Recommendation: I recommend that the governing Board, the County Attorney and all Constitutional Officers become familiar with generally accepted accounting principles and the audit guideline requirement of the Auditor of Public Accounts as defined in Audit Specifications for Towns, Cities, and Counties.

Response: The County concurs that a less than desirable relationship exists between the County's general administration and the constitutional offices.

Remediation: The County's administration understands the need for a supportive attitude toward internal control at all times throughout the government. In reorganizing the County's internal system, the Chief Financial Officer will work closely with the Constitutional Offices to develop sound working relationships based on the administration's need for defined internal control policies and procedures. The current and future administrative staff has full support of the Board of Supervisors in defining, developing and implementing the County's internal control system.

Finding 3: Organizational Structure (Significant Deficiency): The County's organizational structure does not properly define authority between the Board and County's general administration, in particular as to monitoring, approving and controlling budget line transfers. The County's organizational structure does not provide for the assignment of authority and responsibility, empowerment and accountability, and does not define the appropriate lines of reporting.

Recommendation: I recommend that the Board reviews the existing organizational structure and reorganize the structure in a manner that clearly identifies the assignment of authority and responsibility, empowerment and accountability, and defines the appropriate lines of reporting.

Response: The County concurs that the County's organizational structure does not properly define the limit of authority and responsibility, empowerment and accountability and does not define the appropriate lines of reporting between the County's general administration and the governing Board.

Remediation: The Board of Supervisors, throughout fiscal year 2008, will work closely with the Administrator, the Chief Financial Officer, and the Constitutional offices to redefine the county's organizational structure in a manner that clearly allows the auditor to distinguish management's authority.

Finding 4: Information and Communication (Significant Deficiency): The flow of information between the Board of Supervisors, Component Units, Constitutional Offices and the County's general administration did not initially provide the auditors with a low level of assurance that the flow of data between related offices was appropriate, timely, current, accurate, and accessible. The lack of reliable information and communication required the auditors to perform extensive additional procedures to arrive at a low level of assurance that no misstatement existed in the financial statement causing a delay in issuing the audit report. In particular, the additional procedures applied resulted in removing \$746,153 from the Schedule of Federal Financial Assistance.

Recommendation: I recommend that County's government work closely to monitor and assure proper accountability and reporting between the components and the County's financial management.

Response: The County concurs that a less than desired relationship in the flow of information exists between the County's general government, the Component Units and Constitutional Offices.

Remediation: The County's internal control structure will include written evidence of the components internal control process, including its objectives and control activities. The Board of Supervisors will work closely with all components of the government to raise awareness of the importance and relevance of effective internal control by communicating the general government's risk appetite and risk tolerances. The Board of Supervisors supports the County's general administration and will work accordingly with the respective boards and offices to ensure an understanding of and adherence to the internal controls established by the County.

Risk Assessment and Monitoring (Other Matter)

When internal controls are initially implemented, they are usually designed to adequately safeguard assets. However, over time, these controls can become ineffective due to changes in technology, operations, etc. In addition, changes in personnel and structure, as well as the addition of new programs and service, can add risks

that previously did not exist. As a result, the County should periodically perform a risk assessment to anticipate, identify, analyze and manage the risk of misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. The County does not adequately perform this assessment.

The fraud risk assessment can be formal or informal, and should be performed by a management-level employee who has extensive knowledge of the County's operations. Ordinarily, the management-level employee would conduct interviews or lead group discussions with personnel who have extensive knowledge of the County's operations, its environment, and its processes. The fraud risk assessment process should consider the County's vulnerability to misappropriation of assets.

When conducting the assessment, the following questions should be considered.

1. What assets are susceptible to misappropriation?
2. What departments receive cash receipts?
3. What departments have movable inventory?
4. What operations are the most complex?
5. How could assets be stolen?
6. Are there any known internal control weaknesses that would allow misappropriations of assets to occur and remain undetected?
7. How could potential misappropriation of assets be concealed?

Once the areas vulnerable to fraud have been identified, a review of the County's systems, procedures, and existing controls related to these areas should be conducted. The County should consider what additional controls need to be implemented to reduce the risk.

After the risk has been assessed and controls implemented the County should periodically monitor these controls to evaluate the operational effectiveness.

GASB Statement No. 45, Financial Reporting For Post-employment Benefits Other Than Pension Plans (Other Matter)

GASB issued a statement on post employment benefit plans that will affect the County in the future. As a result of this issuance, the County will be required to implement this new GASB.

Generally, the statement requires the County to calculate the amount of the annual post employment benefit costs, such as healthcare benefits and other types of post employment healthcare benefits, such as life insurance. Once determined, the cost will then be presented and recognized on the financial statements of the County, similar to the requirement for compensated absences.

The method of calculation will be determined by a number of plan members. For plans with more than 200 members, an actuarial valuation should be performed at least biennially and for plans with fewer than 200 members, an actuarial valuation should be performed at least triennially. For plans that have less than 100 members, the County has the option to calculate the liability by an alternative measurement method, in lieu of an actuarial valuation.

The effective dates for implementation of this statement will parallel GASB Statement No 34. Implementation for governments with total annual revenue of \$10 million dollars or more but less than \$100 million dollars is periods beginning after 12/15/07 period.

I recommend that the County keep abreast with this future requirement. In this way, the County will be familiar with the statement and have little difficulty with implementation when the time comes.

Additionally, there will be more GASB Statements in the future that will affect the County. I recommend the County stay current with these statements to ease the implementation process.

Accounting/Financial Policies and Procedures Manual (Other Matter):

The County does not have a current and comprehensive accounting policies and procedures manual. All governments should document their accounting policies and procedures. Although other methods might suffice, this document is traditionally in the form of an accounting policies and procedures manual. This manual should document the accounting policies and procedures which make up the County's internal control system.

An accounting policies and procedures manual will enhance employees' understanding of their role and function in the internal control system, establish responsibilities, provide guidance for employees, improve efficiency and consistency of transaction processing, and improve compliance with established policies. It can also help prevent deterioration of key elements of the County internal control system and help to avoid the circumvention of County's policies.

I recommend the County develop and document the accounting policies and procedures manual. The accounting policies and procedures manual should be prepared by appropriate levels of management and be approved by the Board of Supervisors to emphasize its importance and authority. The documentation should describe procedures as they are intended to be performed, indicate which employees are to perform which procedures, and explain the design and purpose of control-related procedures to increase employee understanding and support of controls.