

County of Wise, Virginia

Comprehensive Annual Financial Report



For the Fiscal Year Ended
June 30, 2015

COUNTY OF WISE, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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INTRODUCTORY SECTION

CAFR- LETTER OF TRANSMITTAL

February 12, 2016

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, 2015. 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 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 enterprise 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, 2015 has been completed and no material internal control weaknesses or material violations of laws and regulations have been reported. 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 No. 14, “The Financial Reporting Entity,” as amended by GASB Statement 61 “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34,” the County has identified three discretely reported component units. The GASB statements establish the criteria used in making the component unit determination and whether to identify 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. Because the component units identified do not meet this definition, the County School Board, Wise County Industrial Development Authority and the Wise County Public Service Authority are reported in a discrete presentation. Based upon GASB Statement No. 14 and No. 61 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.

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 41,452. US routes 23 and 58 and State routes 83, 72, 74, 78, 160, 620, 646, 640 and 636 are the primary routes that transverse the County. Wise County has a diversified economy with manufacturing, trade services, coal mining, and agricultural sectors. Manufacturing activities include: hardwood flooring, carbonized coal products, and steel molding and fabrication. Wise County has a coal-fired utility plant that came online during calendar 2012. 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 hays the cash crops.

Wise County has experienced an increase in unemployment recently due to the impact of layoffs in the coal industry. The unemployment rate is still below the national average.

MAJOR INITIATIVES

For Fiscal Year 2015

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 Attorney, and County Finance 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:

- Discussion continues between Wise County and VDOT officials regarding development of Innovation Highway between US Route 58 and State Route 646 to service access to the Lonesome Pine Business and Technology Park, the Lonesome Pine Airport, UVA-Wise and the Wise County Fair Grounds. In November 2012 VDOT places the Innovation Highway on the Six-Year-Plan and appropriated \$425,000 for preliminary engineering.
- Wise County continued working on the five-year update to the County's Comprehensive Plan which was first completed in 1998 with a major focus on where we are, the direction of the County (both actual and desired) and planning for the next 5, 10, 15 and 20 years. This will be a "road map" for Wise County's future.
- Wise County continues to work using coal severance funds to secure expansion of State Route 757 into a 3 lane road to facilitate development in that area. Necessary funds have been identified and design work continues. Design is now better than 50% complete with construction scheduled to start sometime in 2015. The new road will facilitate travel to and from Central High School.
- Spearhead Trails opened their first motorized trail system in St. Paul on June 25, 2013. With seventy-five miles of stacked loop OHV trail, the Mountain View Trail (MV) is open to the public. Permits are required to access the system and several local businesses serve as "partner retailers" selling trail passes and merchandise. There are also lodging accommodations for trail riders. Trail rangers patrol the system to ensure safety, verify permit compliance and act as ambassadors for visitors.
- The IDA secured funding from VCEDA to build out 10,000 square feet of the AAERC facility for the Micronic Technologies project. The work was completed for Micronics to occupy the building in June 2015.
- After securing grant funding from VCEDA, the VA Tobacco Commission and the Virginia Department of Housing and Community Development and the Wise County IDA completed a ribbon-cutting ceremony on December 9, 2014. The Wise Inn is now open for business.

- Wise County IDA has acquired title, as a place holder, to the abandoned Norfolk-Southern Railway right-of-way between Appalachia and Big Stone Gap to develop a bicycle/pedestrian trail between the two towns. Engineering is complete and work is ongoing. Rail and ties have been removed. The VDOT MAP Grant has been processed. Additional structural engineering is now required to determine the stability and safety of the tunnels. The railroad right-of-way was transferred from the Wise County IDA to the Town of Appalachia in December 2014. The Town will assume full responsibility for development of the trailhead and further development and maintenance of the 1.81 mile segment of the trail.
- Funding for the design of the systems for the communities of Roda, Osaka and Stonega have been secured by the Wise County PSA and the design should be complete in the early part of 2013. There are funds currently in hand totaling \$2,266,000 and secured funds of \$1,200,000. Applications for additional funding will be made in fall 2013 and spring 2014 for funds totaling \$1.5M.
- Wise County IDA secured grant funding for the benefit of Virginia Carbonite to renovate the former coal load-out facility at Blackwood. The product is carbonite (high tech coke) for use in foundry operations. They are now in the early stages of operation and have gone into the commercialization phase, currently employing 12 people and selling the entire product manufactured.

Prospects for the Future

- The Wise County IDA continues to move forward after securing a developer/operator agreement for the Wise Inn to bring to Wise County and the Southwest Virginia region a first class historical hotel and restaurant. Development of tourism and the basic economy, demand that an area have four (4) areas covered; 1. A strong branding- The Crooked Road, the Artisan Trail and Country Music Highway, 2. Something to sell-mountain culture, mountain music, mountain crafts and rich cultural history, 3. A place or places to sleep and 4. A place or places for people to eat. The restoration of the Wise Inn will move us closer to that goal. The opening is currently scheduled for October 2014 with 40 permanent employees. During the construction phase there are approximately 50 workers dedicated to the project. The Inn at Wise project achieved substantial completion and officially opened for business on December 1, 2014. The project has been widely acclaimed as a refreshing addition in the Town of Wise for the benefit of the entire region. The project provides employment for 52 area residents.
- With the completion of the long awaited new High Knob Tower, plans are already underway by stakeholders and members of the High Knob Enhancement group to bring more attention to the assets of the High Knob Recreational area, the Jefferson National Forest and the entire area that surrounds it.
- Working with the Crooked Road Board of Directors and the Executive Board of TCR, Wise County has begun plans along with the other 18 counties and 4 cities that make up the Crooked Road to bring to the entire footprint of the Crooked Road-a nine (9) day-330 mile long continuous Old Time and Bluegrass Music Festivals known as Mountains of Music Homecoming. Plans are underway to raise hundreds of thousands of dollars to promote and produce this music festival which is scheduled to take place between June 15 and June 24, 2015. National acts will hopefully be scheduled for major venues of this region.

- Wise County now looks forward to an even more successful competition of Mine Rescue Teams on the campus of UVA-Wise during May 2016. These plans come after a most successful event in May 2015 on the UVA-Wise campus with plans to expand the effort greatly. Wise County tourism personnel will be working with officials of DMME and the Virginia Mining Institute.
- Wise County IDA secured a \$72,000,000 Tier III Data Center in the Technology Park near Lonesome Pine Airport. This facility will create 30 well paying jobs and will add a substantial amount to our tax base and will provide significant construction jobs during completion.
- The Wise County IDA continues to work with the Cumberland Airport Commission for the necessary physical expansion of the airport property to allow for installation of equipment necessary for instrument landing at the Lonesome Pine Airport.
- Wise County has made applications for a VDOT Enhancement Grant in the amount of \$425,000.00 - \$450,000.00 which will extend the Powell River Trails Project from Bee Rock Tunnel to the Powell River. Estimated Construction Cost of \$450,000. Work now is being completed under the administration of the LENOWISCO Planning Commission.
- An application for funding to construct a new water tank near the Wise Shopping Center. The tank will add additional capacity to better serve the Powell River, Guest River and Pound areas.
- Wise JAMS (Wise County Appalachian Musicians) has had a very successful beginning in the communities of Coeburn and St. Paul which began in January 2012 and saw an expansion of the children's music classes to the Towns of Appalachia and Big Stone Gap on January 2013. During the fiscal year ending June 30, 2014, the last three communities of Pound, Wise and the City of Norton began classes in September 2013.
- The Clinch River Valley Initiative (CRVI) is an effort to build local economies in the coalfields of Southwest Virginia, focusing on the Clinch River which is one of the most bio-diverse river systems in North America. Wise County is working in conjunction with other counties and state agencies to assure the success of this effort and to maximize the benefits for Wise County. The primary goal of CRVI is to connect downtown revitalization, river access points, water quality, entrepreneurship and environmental education along the Clinch River. Long range planning includes development of the Clinch River State Park and the integration of access points, trails, and campgrounds along the Clinch River.

For the 2015-2016 Fiscal Year, the Board of Supervisors approved a General Fund Operating Budget of \$50,116,305.

Cash Management

Cash temporarily idle during the year was invested in time deposits and various authorized money market instruments. The amount of interest and dividends received was \$97,565. This is a decrease from interest and dividends earned on temporary investments in Fiscal Year 2013-2014 when the interest on investments totaled \$193,916.

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 the 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.

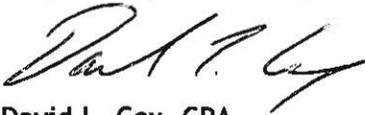
Independent Auditor

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 included in this report.

Acknowledgements

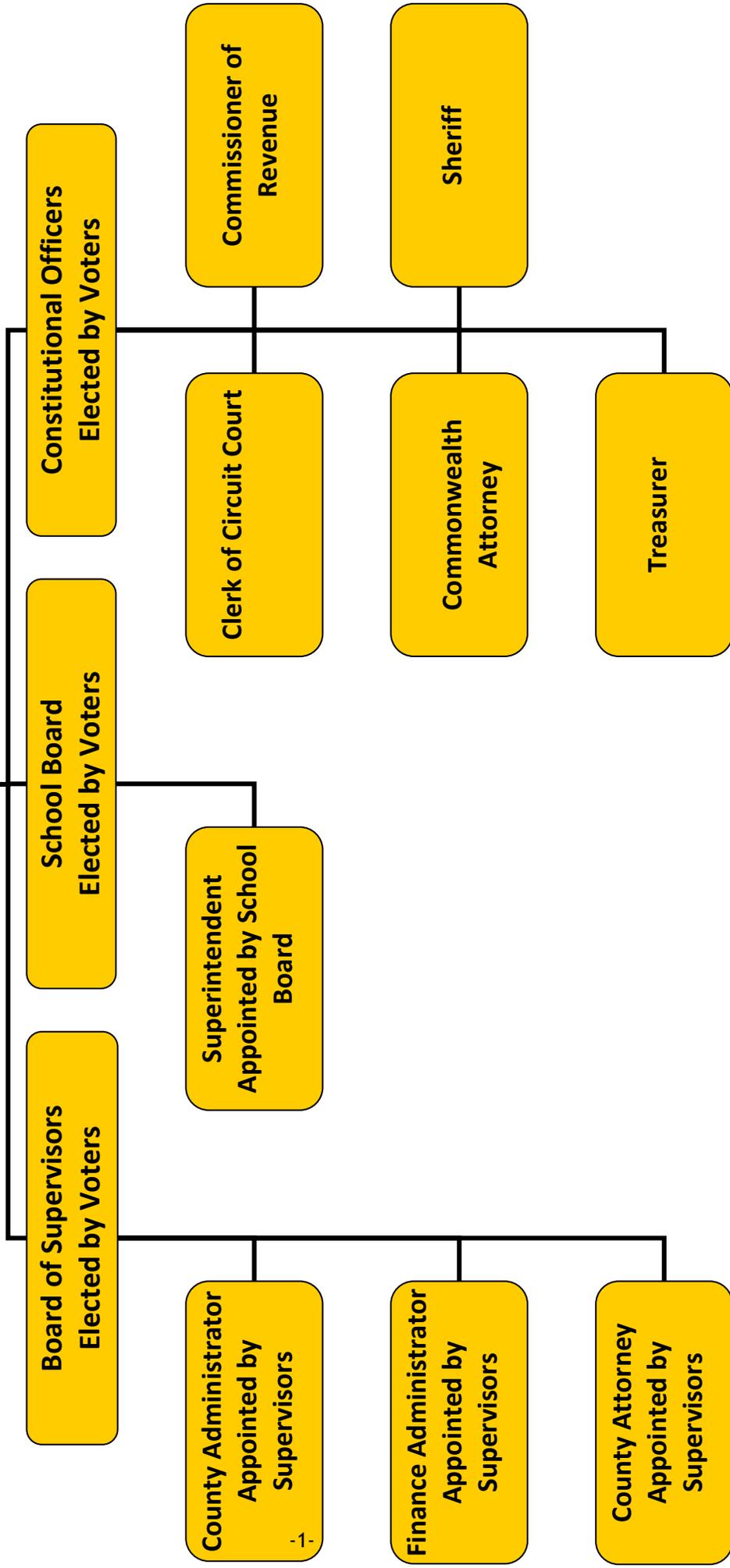
I would also like to thank the Board of Supervisors for their interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,



David L. Cox, CPA
County Finance Administrator

**COUNTY OF WISE, VIRGINIA
ORGANIZATION CHART
JUNE 30, 2015**



COUNTY OF WISE, VIRGINIA

BOARD OF SUPERVISORS

Robbie E. Robbins Steve Bates J.H. Rivers	Robert R. Adkins, Chairperson Virginia Meador, Vice Chairperson	Ronald L. Shortt Fred Luntsford Dana Kilgore
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COUNTY SCHOOL BOARD

Martha Jett Herbert Shortt Donnese Kern	Nolan Kilgore, Chairperson Larry Greear, Vice Chairperson Judy Durham, Clerk of the School Board	Phillip Bates John Graham Vicki Williams
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PUBLIC SERVICE AUTHORITY

J.H. Rivers, Treasurer Danny Mullins Dana Kilgore	Fred Luntsford, Chairperson Ralph Gilley, Vice Chairperson	Hibbert Tackett Jr. Robert R. Adkins Ruthie Rainey
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SOCIAL SERVICES BOARD

James Bryant Bobby Cassell Larry J. Hill Charles Miller	Charles Bennett, Chairperson John D. Cassell, Vice Chairperson	Danny Stallard Steve Bates Dianne Abbott
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COUNTY OF WISE, VIRGINIA

OTHER OFFICIALS

COUNTY ADMINISTRATION

County AdministratorShannon C. Scott
County Finance Administrator..... David L. Cox
County AttorneyKaren T. Mullins

CONSTITUTIONAL OFFICERS

Clerk of the Circuit CourtJack Kennedy
Commonwealth's Attorney..... Charles Slemp
Commissioner of the Revenue.....Douglas Mullins Jr.
Treasurer Delores W. Smith
Sheriff Ronnie D. Oakes

COURTS

Chief Judge of the Circuit Court John C. Kilgore
Judge of the Circuit CourtChadwick Dotson
Judge of the Circuit Court Tammy McElvea
Chief Judge of the District Court Larry Lewis
Judge of the District CourtClarence "Bud" Phillips
Judge of Juvenile & Domestic Relations Court Elizabeth Wills
Judge of Juvenile & Domestic Relations Court Ronald Elkins

COMPONENT UNITS

Superintendent of Schools Greg Mullins
Director of Public Service Authority..... Allen Harrison

OTHER

Director of Social ServicesSusan Light

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
County of Wise, Virginia
Wise, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit-School Board, each major fund, and the aggregate remaining fund information of County of Wise, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Industrial Development Authority of Wise County, Virginia or the Wise County Service Authority. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Industrial Development Authority of Wise County, Virginia and the Wise County Service Authority is based solely on the report of the other auditors. We conducted our audit 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 the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, 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 discretely presented component unit-School Board, each major fund, and the aggregate remaining fund information of the County of Wise, Virginia, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 20 to the financial statements, in 2015, the County adopted new accounting guidance, GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 7-14, 90-91, and 92-97 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our 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, other supplementary information and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 also not a required part of the basic financial statements.

Other Information (Continued)

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2016, on our consideration of the County of Wise, Virginia's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Wise, Virginia's internal control over financial reporting and compliance.

Robinson, Turner, Co. Associates

Blacksburg, Virginia
February 12, 2016

February 12, 2016

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, 2015. 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-vi of this report.

Financial Highlights

The assets and deferred outflows of the County exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$12,615,855 (net position). Of this amount, \$1,798,299 (unrestricted net position) 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 \$20,383,715, an increase of \$1,154,256 in comparison with the prior year. Approximately sixty-two percent of this total amount, \$12,555,648 is available for spending at the County's discretion (unassigned fund balance).

At the end of the current fiscal year, unassigned fund balance for the general fund was \$12,555,648, or 27.2% percent of total general fund expenditures.

The County of Wise, Virginia's total debt (excluding OPEB, pension, and compensated absences obligations) decreased by \$918,090 during the current fiscal year. Total capital leases payable for the Wise County Justice Center and a Lease Purchase Agreement for various capital equipment and improvements decreased by \$442,672.

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 required 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 deferred outflows and liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in 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, Public Service Authority, and an Industrial Development Authority for which the County of Wise, Virginia is financially accountable. Financial information for these component units is reported separately from financial information presented 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 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.

Overview of the Financial Statements (Continued)

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.

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 position and a statement of changes in fiduciary net position. 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 position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets and deferred outflows of the County exceeded its liabilities and deferred inflows by \$13,203,507 at the close of the most recent fiscal year.

A portion of the County's net position (61.1%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are 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 Position</u>		
	<u>Primary Governmental Activities and Business-Type Activities</u>	
	<u>2014</u>	<u>2015</u>
Current and other assets	\$ 54,798,013	\$ 51,335,695
Capital assets	<u>95,601,878</u>	<u>87,136,796</u>
Total assets	<u>\$ 150,399,891</u>	<u>\$ 138,472,491</u>
Deferred outflows of resources	\$ <u>16,936</u>	\$ <u>1,069,766</u>
Long-term liabilities outstanding	\$ 89,198,302	\$ 97,181,044
Current liabilities	<u>6,093,302</u>	<u>4,444,990</u>
Total liabilities	<u>\$ 95,291,604</u>	<u>\$101,626,034</u>
Deferred inflows of resources	\$ <u>23,524,798</u>	\$ <u>24,712,716</u>
Net Investment in Capital Assets	\$13,839,166	\$ 8,066,234
Restricted- Capital Projects	9,735	162,859
Restricted- Debt Service	4,549,862	--
Restricted -Other Purposes	9,781,362	2,585,463
Unrestricted	<u>3,420,300</u>	<u>2,388,951</u>
Total Net Position	<u>\$31,600,425</u>	<u>\$13,203,507</u>

The 2014 amounts shown above are not reflective of the restatement in Note 21 of the financial statements.

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

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Government-wide Financial Analysis (Continued)

Governmental Activities - Governmental and business-type activities decreased the County's net position by \$18,396,918. This decrease is largely due to the restatement of net position described in Note 21 of the financial statements.

Key elements of this decrease are as follows:

County of Wise, Virginia's Change in Net Position		
	<u>Primary Governmental Activities and Business-Type Activities</u>	
	<u>2014</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,080,213	\$ 601,008
Operating grants and contributions	11,076,893	14,144,688
General Revenues:		
Property taxes	\$ 27,604,620	\$ 28,854,059
Other Local taxes	8,173,503	6,883,053
Grants & Contributions	6,315,988	2,714,740
Other	1,017,397	351,772
Total revenues	<u>\$ 55,268,614</u>	<u>\$ 53,549,320</u>
Expenses		
General government	\$ 3,227,935	\$ 2,751,264
Judicial administration	2,969,871	2,865,850
Public safety	9,700,296	10,012,966
Public works	2,619,880	2,124,587
Health and welfare	10,961,298	10,827,245
Education	18,185,662	13,288,038
Parks, recreation and culture	1,024,785	958,043
Community development	4,455,867	4,693,677
Interest	793,150	2,317,504
Business-type activities	4,595,845	4,314,169
Total expenses	<u>\$ 58,534,589</u>	<u>\$ 54,153,343</u>
Increase (decrease) in Net Position	\$ (3,265,975)	\$ (604,023)
Net Position - beginning	34,866,400	13,807,530
Net Position - ending	<u>\$ 31,600,425</u>	<u>\$ 13,203,507</u>

The 2014 amounts shown above are not reflective of the restatement in Note 21 of the financial statements.

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, unassigned 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 \$20,974,367 an increase of \$176,128. Approximately 63% of this total amount, \$13,146,300, constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance is restricted, committed, and non-spendable 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
- Future debt service
- Future employee benefits

The General Fund is the operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$13,146,300, while the total fund balance was \$18,247,296. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

Major and Non-Major special revenue funds have a total fund balance of \$2,727,071, all of which is restricted or committed for future projects. The fund balance decreased \$1,568,780 during the current year.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$2,113,149 (increase in appropriations) and can be briefly summarized as follows:

- \$14,820 increase in general government administration
- \$99,155 increase in judicial administration
- \$640,329 increase in public safety expenditures
- \$82,615 increase in public work expenditures
- \$1,306,928 increase in health and welfare expenditures
- \$30,698 decrease in community development

This increase was primarily due to additional funds being required for Comprehensive Services Act expenditures.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental activities as of June 30, 2015 amounts to \$ 74,757,924 (net of accumulated depreciation). The County's investment in capital assets for its business-type activities as of June 30, 2015 amounts to \$ 12,378,872 (net of accumulated depreciation). This investment in capital assets includes land, buildings and equipment.

Change in Capital Assets

	Governmental Activities		Business-type Activities	
	2014	2015	2014	2015
Land	\$ 2,150,643	\$ 2,150,643	\$ 314,816	\$ 314,816
Buildings and infrastructure	87,724,428	87,724,428	16,183,149	16,196,419
Equipment	5,932,304	6,269,750	4,938,004	5,260,761
Total Capital Assets	\$ 95,807,375	\$ 96,144,821	\$ 21,435,969	\$ 21,771,996
Less: Accumulated Depreciation	\$ (19,245,761)	\$ (21,386,897)	\$ (8,592,131)	\$ (9,393,124)
Net Capital Assets	\$ 76,561,614	\$ 74,757,924	\$ 12,843,838	\$ 12,378,872

Additional information on the County's capital assets can be found in Note 10.

Long-term debt - At the end of the current fiscal year, the County had total governmental activity debt outstanding of \$82,367,194, including claims, judgments, Pension, OPEB GASB 45 liability and compensated absences of \$10,199,666. The County had total business-type activity debt outstanding of \$17,013,737, including claims, judgments, Pension, OPEB GASB 45 liability and compensated absences of \$10,510,474.

	Governmental Activities		Business-type Activities	
	2014	2015	2014	2015
Bonds	\$ 67,972,263	\$ 67,496,845	\$ 6,520,650	\$ 5,983,110
Capital Leases	5,113,355	4,670,683	838,558	520,153
Net Pension Liability	11,303,058	8,802,445	1,143,873	890,810
Net OPEB Obligation	487,332	547,701	70,545	75,749
Landfill Closure/Post Closure Liability	-	-	8,921,603	9,432,736
Compensated Absences	762,464	849,520	141,945	111,179
Total Long-term Debt	\$ 85,638,472	\$ 82,367,194	\$ 17,637,174	\$ 17,013,737

Of this amount \$73,479,955 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 \$3,894,715. This is principally due to Pension Liability adjustments and principal payments.

Additional information on the County of Wise, Virginia's long-term debt can be found in Note 6 of this report.

Economic Factors

Unemployment rate is one of the factors considered in preparing the County's budget for the 2016 fiscal year. The September 2015 unemployment rate for the County is 7.6 percent, which is a decrease from the rate of 8.5 percent in 2014. This is higher than the state's unemployment rate of 4.2 percent and is above the national average rate of 5.1 percent as of September 2015.

All of these factors were considered in preparing the County's budget for the 2016 fiscal year.

Budget and Rates

The approved budget is \$50,116,305 for fiscal year 2015-2016. The tax rates for the 2015-2016 year are as follows: .60 per \$100 value for real estate (Increase of \$.03 per \$100), mobile home taxes, and public utilities real estate, 1.56 per \$100 of assessed value for personal property (Increase of \$.07 per \$100) and public service personal property, 2.85 per \$100 of assessed value for merchants capital, and 1.41 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 Mr. David L. Cox, CPA, County Finance Administrator, P.O. Box 570, Wise, Virginia 24293.

Basic Financial Statements

County of Wise, Virginia
Statement of Net Position
June 30, 2015

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	Public Service Authority	Industrial Development Authority
ASSETS						
Cash and cash equivalents	\$ 8,334,213	\$ 309,047	\$ 8,643,260	\$ 2,846,298	\$ 419,124	\$ 393,694
Investments	11,777,043	135,118	11,912,161	31,407	-	100,000
Receivables (net of allowance for uncollectibles):						
Taxes receivable	22,610,033	-	22,610,033	-	-	-
Accounts receivable	840,225	89,563	929,788	56,360	366,665	2,166,176
Notes receivable	175,000	-	175,000	-	182,460	4,197,206
Interest receivable	-	-	-	-	2,507	41
Due from primary government	-	-	-	328,979	-	-
Due from other governmental units	1,673,886	-	1,673,886	1,260,872	107,492	-
Internal balances	212,898	(212,898)	-	-	-	-
Prepaid items	38,250	-	38,250	-	-	-
Restricted assets:						
Cash and cash equivalents	-	-	-	-	1,876,221	47,384
Investments	-	4,596,644	4,596,644	-	-	900,000
Property	-	-	-	-	-	179,514
Net pension asset	-	-	-	-	111,636	-
Other assets (net of amortization)	-	495,000	495,000	-	-	-
Capital assets (net of accumulated depreciation):						
Land	2,150,643	314,816	2,465,459	2,018,463	202,881	3,044,325
Buildings and improvements	71,239,923	-	71,239,923	28,321,537	812,335	28,204,858
Machinery and equipment	1,367,358	1,378,925	2,746,283	2,052,609	396,720	991,180
Infrastructure	-	10,685,131	10,685,131	-	38,579,618	-
Construction in progress	-	-	-	2,674,447	2,021,554	-
Total assets	\$ 120,419,472	\$ 17,791,346	\$ 138,210,818	\$ 39,590,972	\$ 45,079,213	\$ 40,224,378
DEFERRED OUTFLOWS OF RESOURCES						
Change in proportionate share of net pension liability	\$ -	\$ -	\$ -	\$ 1,109,000	\$ -	\$ -
Pension contributions subsequent to measurement date	971,455	98,311	1,069,766	4,411,513	50,849	-
Total deferred outflows of resources	\$ 971,455	\$ 98,311	\$ 1,069,766	\$ 5,520,513	\$ 50,849	\$ -
LIABILITIES						
Accounts payable	\$ 873,008	\$ 169,931	\$ 1,042,939	\$ 1,889,820	\$ 305,492	\$ 403,671
Salaries payable	338,601	699	339,300	421,325	49,832	-
Customer deposits	-	-	-	-	371,745	-
Accrued interest payable	815,513	47,351	862,864	-	3,975	-
Due to component unit	328,979	-	328,979	-	-	-
Long-term liabilities:						
Due within one year	1,421,798	778,089	2,199,887	542,748	270,373	-
Due in more than one year	80,945,396	16,235,648	97,181,044	55,344,495	4,693,980	11,232,773
Total liabilities	\$ 84,723,295	\$ 17,231,718	\$ 101,955,013	\$ 58,198,388	\$ 5,695,397	\$ 11,636,444
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue - property taxes	\$ 21,637,797	\$ -	\$ 21,637,797	\$ -	\$ -	\$ -
Deferred charge on refunding	399,771	-	399,771	-	-	-
Items related to measurement of net pension liability	2,429,302	245,846	2,675,148	7,783,424	70,383	-
Total deferred inflows of resources	\$ 24,466,870	\$ 245,846	\$ 24,712,716	\$ 7,783,424	\$ 70,383	\$ -
NET POSITION						
Net investment in capital assets	\$ 2,190,625	\$ 5,875,609	\$ 8,066,234	\$ 34,141,810	\$ 37,376,306	\$ 27,370,972
Restricted:						
Construction	162,859	-	162,859	416,900	-	-
Wise Development funds	44,901	-	44,901	-	-	-
Asset forfeiture funds	119,184	-	119,184	-	-	-
Law library funds	21,251	-	21,251	-	-	-
Coal road funds	2,400,127	-	2,400,127	-	1,434,795	-
Dominion replacement funds	-	-	-	-	77,945	-
Roda, Osaka, Stonega Funds	-	-	-	-	8,740	-
Community development	-	-	-	-	-	1,126,898
Textbooks	-	-	-	516,601	-	-
Health Insurance	-	-	-	38,283	-	-
School Cafeteria	-	-	-	1,240,787	-	-
Unrestricted	7,261,815	(5,463,516)	1,798,299	(57,224,708)	466,496	90,064
Total net position	\$ 12,200,762	\$ 412,093	\$ 12,612,855	\$ (20,870,327)	\$ 39,364,282	\$ 28,587,934

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

County of Wise, Virginia
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total		
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 2,751,264	\$ -	\$ 255,295	\$ -	\$ (2,495,969)	\$ -	\$ (2,495,969)	\$ -	\$ -
Judicial administration	2,865,850	12,681	1,241,061	-	(1,612,108)	-	(1,612,108)	-	-
Public safety	10,012,966	109,202	3,664,499	-	(6,239,265)	-	(6,239,265)	-	-
Public works	2,124,587	13,574	-	-	(2,111,013)	-	(2,111,013)	-	-
Health and welfare	10,827,245	-	7,959,988	-	(2,867,257)	-	(2,867,257)	-	-
Education	13,878,690	-	-	-	(13,878,690)	-	(13,878,690)	-	-
Parks, recreation, and cultural	958,043	14,746	15,000	-	(928,297)	-	(928,297)	-	-
Community development	4,693,677	-	994,878	-	(3,698,799)	-	(3,698,799)	-	-
Interest on long-term debt	2,317,504	-	-	-	(2,317,504)	-	(2,317,504)	-	-
Total governmental activities	\$ 50,429,826	\$ 150,203	\$ 14,130,721	\$ -	\$ (36,148,902)	\$ -	\$ (36,148,902)	\$ -	\$ -
Business-type activities:									
Landfill	\$ 3,730,221	\$ 450,805	\$ 13,967	\$ -	\$ (3,265,449)	\$ (3,265,449)	\$ (3,265,449)	\$ -	\$ -
Sewer	583,948	-	-	-	(583,948)	(583,948)	(583,948)	-	-
Total business-type activities	\$ 4,314,169	\$ 450,805	\$ 13,967	\$ -	\$ (3,849,397)	\$ (3,849,397)	\$ (3,849,397)	\$ -	\$ -
Total primary government	\$ 54,743,995	\$ 601,008	\$ 14,144,688	\$ -	\$ (36,148,902)	\$ (3,849,397)	\$ (39,998,299)	\$ -	\$ -
COMPONENT UNITS:									
School Board	\$ 58,397,841	\$ 1,016,125	\$ 43,041,067	\$ -	\$ (14,340,649)	\$ (14,340,649)	\$ (14,340,649)	\$ -	\$ -
Public Service Authority	3,981,277	2,538,610	-	1,169,420	-	-	(273,247)	-	-
Industrial Development Authority	2,445,014	-	1,738,692	-	-	-	-	(706,322)	-
Total component units	\$ 64,824,132	\$ 3,554,735	\$ 44,779,759	\$ 1,169,420	\$ (14,340,649)	\$ (273,247)	\$ (14,340,649)	\$ (706,322)	\$ (706,322)
General revenues:									
General property taxes					\$ 28,854,059	\$ -	\$ 28,854,059	\$ -	\$ -
Other local taxes:									
Local sales and use taxes					2,826,554	-	2,826,554	-	-
Coal severance taxes					3,328,510	-	3,328,510	-	-
Consumers' utility taxes					410,990	-	410,990	-	-
Other local taxes					316,999	-	316,999	-	-
Unrestricted revenues from use of money and property					18,912	17,031	17,031	8,773	761,870
Miscellaneous					213,457	2,150,000	2,150,000	243,408	310,775
Payments from the County of Wise					-	13,825,232	13,825,232	-	-
Grants and contributions not restricted to specific programs					2,714,740	-	2,714,740	-	-
Gain on disposal of capital assets					-	-	-	46,512	-
Transfers					(3,726,131)	3,726,131	-	-	-
Total general revenues and transfers					\$ 35,048,994	\$ 3,754,630	\$ 38,803,624	\$ 15,992,263	\$ 1,072,645
Change in net position					\$ (1,099,908)	\$ (94,767)	\$ (1,194,675)	\$ 1,651,614	\$ 366,323
Net position - beginning, as restated					13,300,670	506,860	13,807,530	(22,521,941)	28,221,611
Net position - ending					\$ 12,200,762	\$ 412,093	\$ 12,612,855	\$ (20,870,327)	\$ 28,587,934

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

County of Wise, Virginia
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Coal Road Improvement Fund	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 6,649,614	\$ 1,345,781	\$ 338,818	\$ 8,334,213
Investments	10,766,519	1,010,524	-	11,777,043
Receivables (net of allowance for uncollectibles):				
Taxes receivable	22,610,033	-	-	22,610,033
Accounts receivable	751,797	88,428	-	840,225
Notes receivable	175,000	-	-	175,000
Due from other funds	213,598	78,666	-	292,264
Due from other governmental units	1,673,886	-	-	1,673,886
Prepaid items	38,250	-	-	38,250
Total assets	<u>\$ 42,878,697</u>	<u>\$ 2,523,399</u>	<u>\$ 338,818</u>	<u>\$ 45,740,914</u>
LIABILITIES				
Accounts payable	\$ 738,562	\$ 123,272	\$ 11,174	\$ 873,008
Salaries payable	338,601	-	-	338,601
Due to other funds	78,666	-	700	79,366
Due to component unit	328,979	-	-	328,979
Total liabilities	<u>\$ 1,484,808</u>	<u>\$ 123,272</u>	<u>\$ 11,874</u>	<u>\$ 1,619,954</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 23,737,245	\$ -	\$ -	\$ 23,737,245
FUND BALANCES				
Nonspendable:				
Prepaid items	\$ 38,250	\$ -	\$ -	\$ 38,250
Restricted:				
Construction Fund	-	-	162,859	162,859
Coal Road Improvement Fund	-	2,400,127	-	2,400,127
Asset Forfeiture Fund	-	-	119,184	119,184
Wise Development Fund	-	-	44,901	44,901
Law Library Fund	21,251	-	-	21,251
Committed:				
Debt Service	4,549,862	-	-	4,549,862
Assigned:				
Drug Court Fund	14,500	-	-	14,500
IT Fund	18,070	-	-	18,070
Software Engineering Fund	81,348	-	-	81,348
Dog and Cat Sterilization Fund	3,625	-	-	3,625
Transient Occupancy Fund	219,954	-	-	219,954
Supervisor Fees - SWVCC Fund	135,186	-	-	135,186
E-Summons Fund	18,950	-	-	18,950
Unassigned	12,555,648	-	-	12,555,648
Total fund balances	<u>\$ 17,656,644</u>	<u>\$ 2,400,127</u>	<u>\$ 326,944</u>	<u>\$ 20,383,715</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 42,878,697</u>	<u>\$ 2,523,399</u>	<u>\$ 338,818</u>	<u>\$ 45,740,914</u>

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

County of Wise, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2015

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	20,383,715
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Jointly owned assets are included in the total capital assets.		
Land	\$	2,150,643
Buildings and improvements		71,239,923
Machinery and equipment		1,367,358
		74,757,924
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue - property taxes	\$	2,099,448
Items related to measurement of net pension liability		(2,429,302)
		(329,854)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		
		971,455
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds	\$	(51,828,003)
Lease revenue notes		(14,655,000)
Capital leases		(4,670,683)
Unamortized premiums		(1,051,639)
Unamortized discounts		37,797
Deferred charges on refundings		(399,771)
Accrued interest payable		(815,513)
Net OPEB obligation		(547,701)
Net pension liability		(8,802,445)
Compensated absences		(849,520)
		(83,582,478)
Net position of governmental activities	\$	12,200,762

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

County of Wise, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	General <u>Fund</u>	Coal Road Improvement <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 28,731,239	\$ -	\$ -	\$ 28,731,239
Other local taxes	5,333,931	1,549,122	-	6,883,053
Permits, privilege fees, and regulatory licenses	35,717	-	-	35,717
Fines and forfeitures	33,071	-	18,070	51,141
Revenue from the use of money and property	81,192	28,547	77	109,816
Charges for services	63,345	-	-	63,345
Miscellaneous	87,734	-	125,723	213,457
Recovered costs	816,258	-	-	816,258
Intergovernmental:				
Commonwealth	11,660,034	-	-	11,660,034
Federal	4,186,528	-	998,899	5,185,427
Total revenues	<u>\$ 51,029,049</u>	<u>\$ 1,577,669</u>	<u>\$ 1,142,769</u>	<u>\$ 53,749,487</u>
EXPENDITURES				
Current:				
General government administration	\$ 3,285,764	\$ -	\$ -	\$ 3,285,764
Judicial administration	3,074,056	-	-	3,074,056
Public safety	9,475,547	-	101,137	9,576,684
Public works	994,441	1,082,842	-	2,077,283
Health and welfare	11,029,381	-	-	11,029,381
Education	15,142,813	-	-	15,142,813
Parks, recreation, and cultural	912,492	-	-	912,492
Community development	1,668,356	1,117,897	896,268	3,682,521
Nondepartmental	57,579	-	-	57,579
Capital projects	-	-	1,032,431	1,032,431
Debt service:				
Principal retirement	442,672	-	-	442,672
Interest and other fiscal charges	124,204	-	-	124,204
Total expenditures	<u>\$ 46,207,305</u>	<u>\$ 2,200,739</u>	<u>\$ 2,029,836</u>	<u>\$ 50,437,880</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 4,821,744</u>	<u>\$ (623,070)</u>	<u>\$ (887,067)</u>	<u>\$ 3,311,607</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 432,636	\$ -	\$ (58,643)	\$ 373,993
Transfers out	(4,100,124)	-	-	(4,100,124)
Total other financing sources (uses)	<u>\$ (3,667,488)</u>	<u>\$ -</u>	<u>\$ (58,643)</u>	<u>\$ (3,726,131)</u>
Net change in fund balances	\$ 1,154,256	\$ (623,070)	\$ (945,710)	\$ (414,524)
Fund balances - beginning, as restated	16,502,388	3,023,197	1,272,654	20,798,239
Fund balances - ending	<u>\$ 17,656,644</u>	<u>\$ 2,400,127</u>	<u>\$ 326,944</u>	<u>\$ 20,383,715</u>

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

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, 2015

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ (414,524)

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 depreciation expense exceeded capital outlays in the current period.

Capital outlays	\$ 359,187	
Depreciation expense	<u>(2,162,877)</u>	(1,803,690)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	\$ 122,820	
Change in deferred inflows of resources related to the measurement of the net pension liability	<u>(2,429,302)</u>	(2,306,482)

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 position. Also, governmental funds report the effect of 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.

Principal Payments

Bonds	\$ 300,000	
Capital leases	<u>442,672</u>	742,672

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Change in compensated absences	\$ (87,056)	
Change in accrued interest payable	(110,689)	
Change in net OPEB obligation	(60,369)	
Change in net pension liability	2,500,613	
Change in deferred outflows of resources related to pensions	252,580	
Amortization of bond premium	194,316	
Amortization of bond discount	(18,898)	
Amortization of charges on refunding	<u>11,619</u>	2,682,116

Change in net position of governmental activities \$ (1,099,908)

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

County of Wise, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2015

	Enterprise Funds		Total
	Landfill Fund	Sewer Fund	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 306,479	\$ 2,568	\$ 309,047
Investments	135,118	-	135,118
Investments - restricted	4,596,644	-	4,596,644
Accounts receivables, net of allowances for uncollectibles	89,563	-	89,563
Total current assets	<u>\$ 5,127,804</u>	<u>\$ 2,568</u>	<u>\$ 5,130,372</u>
Noncurrent assets:			
Other assets (net of amortization)	\$ -	\$ 495,000	\$ 495,000
Capital assets: (net of related depreciation)			
Land	\$ 314,816	\$ -	\$ 314,816
Machinery and equipment	1,378,925	-	1,378,925
Infrastructure	10,451,678	233,453	10,685,131
Total capital assets	<u>\$ 12,145,419</u>	<u>\$ 233,453</u>	<u>\$ 12,378,872</u>
Total noncurrent assets	<u>\$ 12,145,419</u>	<u>\$ 728,453</u>	<u>\$ 12,873,872</u>
Total assets	<u>\$ 17,273,223</u>	<u>\$ 731,021</u>	<u>\$ 18,004,244</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	\$ 98,311	\$ -	\$ 98,311
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 169,031	\$ 900	\$ 169,931
Accrued salaries	699	-	699
Due to other funds	-	212,898	212,898
Interest payable	47,351	-	47,351
Compensated absences - current portion	83,384	-	83,384
Bonds payable - current portion	505,193	-	505,193
Leases and other obligations - current portion	189,512	-	189,512
Total current liabilities	<u>\$ 995,170</u>	<u>\$ 213,798</u>	<u>\$ 1,208,968</u>
Noncurrent liabilities:			
Landfill closure/postclosure liability	\$ 9,432,736	\$ -	\$ 9,432,736
Bonds payable - net of current portion	5,470,277	-	5,470,277
Leases and other obligations - net of current portion	338,281	-	338,281
Net OPEB obligation	75,749	-	75,749
Compensated absences	27,795	-	27,795
Net pension liability	890,810	-	890,810
Total noncurrent liabilities	<u>\$ 16,235,648</u>	<u>\$ -</u>	<u>\$ 16,235,648</u>
Total liabilities	<u>\$ 17,230,818</u>	<u>\$ 213,798</u>	<u>\$ 17,444,616</u>
DEFERRED INFLOWS OF RESOURCES			
Items related to measurement of net pension liability	245,846	\$ -	\$ 245,846
NET POSITION			
Net investment in capital assets	\$ 5,642,156	\$ 233,453	\$ 5,875,609
Unrestricted	(5,747,286)	283,770	(5,463,516)
Total net position	<u>\$ (105,130)</u>	<u>\$ 517,223</u>	<u>\$ 412,093</u>

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

County of Wise, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Enterprise Funds		<u>Total</u>
	<u>Landfill</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>	
OPERATING REVENUES			
Charges for services:			
Solid waste collections	\$ 450,805	\$ -	\$ 450,805
Miscellaneous	4,591	4,996	9,587
Total operating revenues	<u>\$ 455,396</u>	<u>\$ 4,996</u>	<u>\$ 460,392</u>
OPERATING EXPENSES			
Salaries and fringes	\$ 1,462,565	\$ -	\$ 1,462,565
Professional services	96,858	8,513	105,371
Repairs and maintenance	77,740	-	77,740
Operating materials and supplies	21,920	-	21,920
Vehicle supplies and fuel	434,779	-	434,779
Utilities	106,467	-	106,467
Office and insurance expenses	20,717	-	20,717
Improvements and closure costs	511,133	-	511,133
Miscellaneous	36,967	-	36,967
Sewer operation costs	-	547,952	547,952
Amortization	-	13,750	13,750
Depreciation	840,260	13,733	853,993
Total operating expenses	<u>\$ 3,609,406</u>	<u>\$ 583,948</u>	<u>\$ 4,193,354</u>
Change in Net Position	<u>\$ (3,154,010)</u>	<u>\$ (578,952)</u>	<u>\$ (3,732,962)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	\$ 18,912	\$ -	\$ 18,912
Grants	13,967	-	13,967
Interest expense	(120,815)	-	(120,815)
Total nonoperating revenues (expenses)	<u>\$ (87,936)</u>	<u>\$ -</u>	<u>\$ (87,936)</u>
Income before transfers	\$ (3,241,946)	\$ (578,952)	\$ (3,820,898)
Transfers in	3,153,131	573,000	3,726,131
Change in Net Position	<u>\$ (88,815)</u>	<u>\$ (5,952)</u>	<u>\$ (94,767)</u>
Total net position - beginning, as restated	(16,315)	523,175	506,860
Total net position - ending	<u>\$ (105,130)</u>	<u>\$ 517,223</u>	<u>\$ 412,093</u>

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

County of Wise, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Enterprise Funds		Total
	Landfill Fund	Sewer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 484,698	\$ 4,996	\$ 489,694
Payments to suppliers	(714,383)	(614,448)	(1,328,831)
Payments to employees	(1,520,206)	-	(1,520,206)
Net cash provided by (used for) operating activities	<u>\$ (1,749,891)</u>	<u>\$ (609,452)</u>	<u>\$ (2,359,343)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	<u>\$ 3,153,131</u>	<u>\$ 573,000</u>	<u>\$ 3,726,131</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of utility plant	\$ (389,027)	\$ -	\$ (389,027)
Principal payments on bonds	(723,404)	-	(723,404)
Interest expense	(252,116)	-	(252,116)
Capital grants	13,967	-	13,967
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,350,580)</u>	<u>\$ -</u>	<u>\$ (1,350,580)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	<u>\$ 18,912</u>	<u>\$ -</u>	<u>\$ 18,912</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 71,572</u>	<u>\$ (36,452)</u>	<u>\$ 35,120</u>
Cash and cash equivalents - beginning (including \$4,861,095 investments and restricted invest.)	4,966,669	39,020	5,005,689
Cash and cash equivalents - ending (including \$4,731,762 investments and restricted invest.)	<u>\$ 5,038,241</u>	<u>\$ 2,568</u>	<u>\$ 5,040,809</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	<u>\$ (3,154,010)</u>	<u>\$ (578,952)</u>	<u>\$ (3,732,962)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	\$ 840,260	\$ 27,483	\$ 867,743
(Increase) decrease in accounts receivable	29,302	-	29,302
(Increase) decrease in pension contributions subsequent to measurement date	(25,561)	-	(25,561)
Increase (decrease) in accrued salaries	699	-	699
Increase (decrease) in closure/postclosure liability	511,133	-	511,133
Increase (decrease) in accounts payable	81,065	(57,983)	23,082
Increase (decrease) in compensated absences	(30,766)	-	(30,766)
Increase (decrease) in net OPEB obligation	5,204	-	5,204
Increase (decrease) in net pension liability	(253,063)	-	(253,063)
Increase (decrease) items related to measurement of net pension liability	245,846	-	245,846
Total adjustments	<u>\$ 1,404,119</u>	<u>\$ (30,500)</u>	<u>\$ 1,373,619</u>
Net cash provided by (used for) operating activities	<u>\$ (1,749,891)</u>	<u>\$ (609,452)</u>	<u>\$ (2,359,343)</u>

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

County of Wise, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 150,766
Due from other governments	296,757
Total assets	\$ 447,523
 LIABILITIES	
Amounts held for social services clients	\$ 95,142
Amounts held for other governments	352,138
Amounts held for youth services	243
Total liabilities	\$ 447,523

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

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1-Summary of Significant Accounting Policies:

The financial statements of the County of Wise, Virginia conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity

The County of Wise, Virginia was established by an act of the Virginia General Assembly in 1856. It is a political subdivision of the Commonwealth of Virginia operating under the board-administrator form of government. The Board of Supervisors consists of a chairman and seven other board members elected from four magisterial districts. The Board is responsible for appointing the County Administrator, County Attorney and County Finance Administrator. The County has taxing powers subject to statewide restrictions and tax limits.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units - None

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the County's discretely presented component units.

The County provides education through its own school system administered by the Wise County School Board (the School Board). The School Board has been classified as a discretely presented component unit in the financial reporting entity because it is legally separate, but financially dependent. The Board of Supervisors administers the School Board's appropriation of funds at the category level, approves transfers between categories and authorizes school debt issuances. The eight member school board is elected by Wise County voters with two members being elected per magisterial district. Financial statements of the School Board are included in a discretely presented component unit column and/or row of the government-wide financial statements, as well as in the supplementary information section. The School Board does not issue separate financial statements.

The County is financially accountable for the Wise County Industrial Development Authority (the IDA), including the appointment of the IDA's governing body, and the issuance of debt in conjunction with the IDA. Separate financial statements may be obtained from the Wise County Industrial Development Authority.

The County is financially accountable for the Wise County Public Service Authority (the Authority), including the appointment of the Authority's governing body, the contribution of a material amount of funds to the Authority, providing support agreements for the Authority's debt, and serving as the agent for grant receipts for the Authority's capital projects. Separate financial statements may be obtained from the Wise County Public Service Authority.

Note 1-Summary of Significant Accounting Policies: (continued)

A. Financial Reporting Entity (continued)

Related Organizations - The Wise County Redevelopment and Housing Authority is a related organization because the County's officials are responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointment.

Jointly Governed Organizations:

1. The County, along with the Counties of Buchanan, Dickenson, Lee, Russell, Scott, Smyth, Tazewell, Washington, and the City of Norton, participates in supporting the Southwest Virginia Regional Jail Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2015, the County paid \$2,588,022 for services provided by the Authority.
2. The County, along with the Counties of Dickenson, Buchanan, Tazewell, Smyth, Washington, Russell, Scott, Lee, and the Cities of Bristol, and Norton, participates in supporting the Appalachian Juvenile Detention Commission. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2015, the County paid \$461,280 for services provided by the Commission.
3. The County, along with the Counties of Lee, Scott, and the City of Norton, participates in supporting the Planning District One Behavioral Health Services Board. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2015, the County provided an appropriation to the Board of \$150,500.
4. The County, along with the Counties of Dickenson, Lee, Scott, and the City of Norton, participates in supporting the Lonesome Pine Regional Library. The governing body of this organization is appointed by the respective governing bodies of the jurisdictions. For the fiscal year ended June 30, 2015, the County provided an appropriation to the Library of \$779,000.
5. The County, along with the Counties of Lee, Scott, and the City of Norton, participates in supporting the Lonesome Pine Office on Youth. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2015, the County provided an appropriation to the Office of \$83,800. In addition, the County provides payroll services for the Office at no charge.
6. The County, along with the Counties of Dickenson, Lee, Scott, and the City of Norton, participates in supporting the Lonesome Pine Airport (Cumberland Airport Commission). The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2015, the County provided an appropriation to the Airport of \$110,000.
7. The County, along with the Counties of Lee, Scott, and the City of Norton, participates in supporting LENOWISCO, a regional planning district. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2015, the County provided an appropriation to LENOWISCO of \$66,684.

Note 1-Summary of Significant Accounting Policies: (continued)

B. Government-wide and Fund Financial Statements

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 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 position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund 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 Position - The Statement of Net Position is designed to display financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities - The 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).

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are 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, if any, are reported as separate columns in the fund financial statements.

Note 1-Summary of Significant Accounting Policies: (continued)

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

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

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 the 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 reflects 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*. 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. 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.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for un-collectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

Note 1-Summary of Significant Accounting Policies: (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The County reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. The *General Fund* as reported in the County financial statements includes the following merged County funds: Law Library Fund, Emergency Numbers Fund, Dog and Cat Sterilization Fund, Community Corrections Fund, Information Technology Fund, Software Engineering Initiative Fund, Transient Occupancy Tax Fund, and the Drug Court Fund.

The *Coal Road Improvement Fund* is the government's only major special revenue fund. Revenues in this fund are derived from coal road severance taxes and dedicated to road improvement projects.

The nonmajor governmental funds of the County are:

The *Wise Development Fund* is a nonmajor special revenue fund of the County. Revenues in this fund are derived from coal road severance taxes and dedicated to road improvement projects.

The *Forfeited Assets Fund* is a nonmajor special revenue fund of the County. Revenues in this fund are derived from federal, state, and local asset forfeitures and related grants and dedicated to law enforcement services. The *Forfeited Assets Fund* as reported includes the merged Drug Seizure and Forfeiture Fund and the Special Fund of the Commonwealth Attorney.

The *Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities. The *Capital Projects Fund* is reported as a nonmajor capital project fund.

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the County is that the cost of providing services to the general public be financed or recovered through user charges. The County reports the following enterprise funds:

The *Sewer Fund* accounts for the operations of the Riverview Sewer Project.

The *Landfill Fund* accounts for the activities of the landfill, including charges for services, expenses, assets, and related debts.

Additionally, the County reports the following fund types:

Fiduciary funds (Trust and Agency funds) account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds.

Note 1-Summary of Significant Accounting Policies: (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The School Board reports the following major governmental funds:

The *School Operating Fund* is the primary operating fund of the School Board and accounts for and reports all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from appropriations from the County of Wise, Virginia and state and federal grants. The *School Operating Fund* also includes the merged School Textbook Fund.

The *School Cafeteria Fund* accounts for and reports the proceeds from charges for services and state and federal grants and reports the expenditures of those funds on school nutrition services.

The *School Capital Project Fund* accounts for all financial resources used for the acquisition or construction of major capital needs.

Additionally, the School Board reports the following fund types:

Internal Service Funds account for the financing of goods and services provided to other departments or agencies of the government on a cost reimbursement basis. The Internal Service Fund consists of a Self-Insurance Fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Funds are charges to departments for sales and health insurance. Operating expenses for Internal Service Funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:

1. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(continued)

1. Cash and Cash Equivalents (continued)

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and Collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act").

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Inventory

Inventories of material and supplies are recorded at cost, using the first-in, first-out method of valuation.

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

4. Property Taxes

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 31st and October 31st. The County bills and collects its own property taxes.

5. Coal Severance Taxes

Coal severance tax is assessed monthly based on the gross receipts of the mining operation for the preceding month. Coal severance taxes attach as an 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.

6. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$754,770 at June 30, 2015 and is comprised solely of property taxes.

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(continued)

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

9. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life 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. There was no interest capitalized in fiscal year 2015.

Property, plant, and equipment and infrastructure of the primary government, as well as the Component Unit - School Board, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Plant, Equipment and System	35-50
Motor Vehicles	5-10
Equipment	2-15

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(continued)

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County only has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability. These include changes in proportion and differences between employer contributions and proportionate share of contributions and contributions to the pension plan made during the current year and subsequent to the net pension asset or liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has three types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note. The final item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

11. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(continued)

11. Long-term Obligations (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

12. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The County accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

13. Pensions

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

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Note 1-Summary of Significant Accounting Policies: (continued)

14. Fund Equity

The County reports fund balance in accordance with GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

The Board of Supervisors is the County's highest level of decision-making authority. This governing body has the authority to designate or rescind committed or assigned fund balance by a majority vote.

The County's Board of Supervisors has authorized the County Finance Administrator and County Treasurer to assign fund balance in accordance with the County's fund balance policy.

The County will maintain an unassigned fund balance in the general fund equal to 10% of expenditures/revenues. The County considers a balance of less than 10% to be cause for concern, barring unusual, or deliberate circumstances.

The County considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unassigned, assigned, or committed fund balances are available, unless prohibited by legal documents or contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the County considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(continued)

15. Net Position

Net position is the difference between a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

16. Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary Information

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 Finance 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. All Funds of the County have legally adopted budgets with the exception of Agency Funds.
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 function level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board 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, Special Revenue Funds (except the School Fund) and the General Capital Projects Funds. The School Operating Fund and School Capital Projects Fund are integrated only at the level of legal adoption.

Note 2-Stewardship, Compliance, and Accountability: (continued)

A. Budgetary Information (continued)

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

B. Excess of expenditures over appropriations

At June 30, 2015, no departments had expenditures in excess of its appropriations.

C. Deficit fund equity

At June 30, 2015, no funds had deficit fund equity.

Note 3-Deposits and Investments:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporations (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize the County 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).

Credit Risk of Debt Securities

At year end, the County was not exposed to any custodial credit risk for deposits or investments. The County limits deposits to those banks fully collateralized under the Commonwealth's Security for Public Deposits Act. The County policy in regards to investments requires that all investments be held in the County's name.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 3-Deposits and Investments: (continued)

Credit Risk of Debt Securities (continued)

At June 30, 2015, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

At year-end, the County of Wise, Virginia’s deposit and investment balances were as follows:

Investment Type	Fair Value	Original Investment Maturity		Credit Rating
		Less Than 1 Year	1-5 Year	
Demand and time deposits	\$ 10,741,279	\$ 10,741,279	\$ -	N/A
VML/VACO Investment Pool	4,596,644	4,596,644	-	AAAf
Virginia LGIP	30,430	30,430	-	AAAm
Virginia SNAP fund	134,961	134,961	-	AAAm
Federal Agency bonds and notes	1,005,491	-	1,005,491	AAA
Total Primary Government	\$ 16,508,805	\$ 15,503,314	\$ 1,005,491	

At year-end, the Component Unit- School Board deposit and investment balances were as follows:

Investment Type	Fair Value	Original Investment Maturity		Credit Rating
		Less Than 1 Year		
Virginia LGIP	\$ 31,407	\$ 31,407		AAAm
Total Component Unit-Schools	\$ 31,407	\$ 31,407		

External Investment Pools

The fair value of the positions in the external investment pool (Local Government Investment Pool (LGIP) and State Non-Arbitrage Pool (SNAP)) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7. The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC).

Interest Rate Risk

The County has not adopted an investment policy for interest rate risk and had no investments subject to interest rate risk at June 30, 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 4-Due from Other Governmental Units:

The following amounts represent receivables from other governments at year-end:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
<u>City of Norton, Virginia</u>		
Shared Expenses - Reimbursement	\$ 230,531	\$ -
<u>Commonwealth of Virginia:</u>		
Communications Tax	164,347	-
State sales tax	-	479,158
Non-categorical aid	176,124	-
Categorical aid-shared expenses	287,071	-
Categorical aid-Virginia Public Assistance funds	216,830	-
Categorical aid-other	4,594	-
Categorical aid-Comprehensive Services Act funds	254,162	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance funds	320,209	-
Categorical aid-other	20,018	781,714
Total Amount Due from Other Governmental Units	<u>\$ 1,673,886</u>	<u>\$ 1,260,872</u>

Note 5-Interfund/Component-Unit Obligations:

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ <u>328,979</u>	\$ <u>-</u>
Component Unit - School Board:		
School Fund	\$ <u>-</u>	\$ <u>328,979</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 5-Interfund/Component-Unit Obligations: (continued)

Interfund balances for the year ended June 30, 2015, consisted of the following:

<u>Fund</u>	<u>Due to</u>	<u>Due from</u>
Primary Government:		
<i>Major Governmental Funds:</i>		
General Fund	\$ 79,366	\$ 213,598
Coal Road Fund	-	78,666
<i>Nonmajor Governmental Funds:</i>		
Capital Projects Fund	-	700
<i>Enterprise Funds:</i>		
Sewer fund	213,598	-
Total	<u>\$ 292,964</u>	<u>\$ 292,964</u>

All balances are the results of time lag between dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. The County expects all balances to be repaid within one year.

Interfund transfers for the year ended June 30, 2015, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
<i>Major Governmental Funds:</i>		
General Fund	\$ 432,636	\$ 4,100,124
<i>Nonmajor Governmental Funds:</i>		
Forfeited Assets Fund	645	-
Capital Projects Fund	-	59,288
<i>Enterprise Funds:</i>		
Sewer Fund	573,000	-
Landfill Fund	3,153,131	-
Total	<u>\$ 4,159,412</u>	<u>\$ 4,159,412</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 6-Long-Term Obligations:

Primary Government - Governmental Activities Indebtedness

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2015:

	Restated Balance July 1, 2014	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2015
General Obligation Bonds	\$ 52,128,003	\$ -	\$ (300,000)	\$ 51,828,003
Bond Premium	1,245,955	-	(194,316)	1,051,639
Lease Revenue Bonds	14,655,000	-	-	14,655,000
Bond Discount	(56,695)	-	18,898	(37,797)
Capital Leases	5,113,355	-	(442,672)	4,670,683
Net Pension Liability	11,303,058	4,135,699	(6,636,312)	8,802,445
Net OPEB Obligation	487,332	130,382	(70,013)	547,701
Compensated Absences	762,464	658,903	(571,847)	849,520
	<u>85,638,472</u>	<u>4,924,984</u>	<u>(8,196,262)</u>	<u>82,367,194</u>
Total	\$ <u>85,638,472</u>	\$ <u>4,924,984</u>	\$ <u>(8,196,262)</u>	\$ <u>82,367,194</u>

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

Year Ending June 30,	General Obligation Bonds		Lease Revenue Notes	
	Principal	Interest	Principal	Interest
2016	\$ 300,000	\$ 2,172,750	\$ -	\$ 249,135
2017	300,000	2,172,750	14,655,000	249,135
2018	1,200,000	2,172,750	-	-
2019	1,200,000	2,172,750	-	-
2020	1,880,000	2,155,580	-	-
2021-2025	12,774,106	9,911,317	-	-
2026-2030	16,128,897	7,596,839	-	-
2031-2035	12,640,000	3,180,623	-	-
2036-2037	5,405,000	212,254	-	-
Totals	<u>\$ 51,828,003</u>	<u>\$ 31,747,613</u>	<u>\$ 14,655,000</u>	<u>\$ 498,270</u>

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 6-Long-Term Obligations: (continued)

Primary Government - Governmental Activities Indebtedness: (continued)

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds:							
VPSA General obligation bond	3.67%	11/9/2011	7/15/2036	\$1,045,000 - \$1,870,000 a+	\$ 29,265,000	\$ 21,445,000	\$ -
VPSA General obligation bond	5.10%	5/15/2008	7/15/2028	\$310,947 - \$368,877 a+	5,834,463	2,373,003	-
Refunding bond	2.39-3.54%	5/15/2014	7/15/2036	\$680,000 - \$855,000 a+	13,910,000	13,910,000	-
VPSA QSCB bond	0.00%	12/15/2011	12/1/2030	\$300,000 - \$1,200,000 a+	15,000,000	14,100,000	300,000
Total GO Bonds						<u>\$ 51,828,003</u>	<u>\$ 300,000</u>
Lease Revenue Notes:							
Revenue bond - Public facilities	1.70%	12/19/2012	2/1/2017	\$124,568 sa	\$ 14,655,000	\$ 14,655,000	\$ -
Deferred amounts:							
Plus: Unamortized Premium							
\$29,265,000 VPSA GO bond						\$ 436,343	\$ 52,475
\$13,910,000 Refunding bond						615,296	66,208
Less: Unamortized Discount							
\$14,655,000 Revenue bond						(37,797)	(18,898)
Total deferred amounts						<u>\$ 1,013,842</u>	<u>\$ 99,785</u>
<u>Other Obligations:</u>							
Capital Leases (Note 8)						\$ 4,670,683	\$ 384,873
Net Pension Liability						8,802,445	-
Net OPEB Obligation						547,701	-
Compensated Absences						849,520	637,140
Total Other Obligations						<u>\$ 14,870,349</u>	<u>\$ 1,022,013</u>
Total Long-Term Obligations						<u>\$ 82,367,194</u>	<u>\$ 1,421,798</u>

(a+) - annual principal installments shown, does not include semi-annual interest installments

(sa) - semi-annual interest installments

(m) - monthly installments

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 6-Long-Term Obligations: (continued)

Primary Government - Business-type Activities Indebtedness

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2015:

	Restated Balance July 1, 2014	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2015
General Obligation Bonds	\$ 5,805,000	\$ -	\$ (405,000)	\$ 5,400,000
Bond Premiums	715,650	-	(132,540)	583,110
Capital Leases	838,558	-	(318,405)	520,153
Landfill Closure/ Postclosure Liability	8,921,603	511,133	-	9,432,736
Net Pension Liability	1,143,873	418,533	(671,596)	890,810
Net OPEB Obligation	70,545	18,032	(12,828)	75,749
Compensated Absences	141,945	75,693	(106,459)	111,179
Total	\$ 17,637,174	\$ 1,023,391	\$ (1,646,828)	\$ 17,013,737

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2016	\$ 420,000	\$ 226,352
2017	435,000	209,575
2018	455,000	190,470
2019	475,000	168,499
2020	500,000	145,789
2021-2025	2,190,000	409,720
2026-2028	925,000	62,841
Totals	\$ 5,400,000	\$ 1,413,246

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COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 6-Long-Term Obligations: (continued)

Primary Government - Business-type Activities Indebtedness: (continued)

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Installment Amount	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
General Obligation Bonds:							
VRA general obligation bond - landfill	2.48%	06/05/13	4/1/2028	\$190,000 - \$320,000 a+	\$ 3,450,000	\$ 3,265,000	\$ 190,000
VRA general obligation bond - landfill	3.28%	5/25/2010	10/1/2022	\$230,000 - \$310,000 a+	2,985,000	2,135,000	230,000
Total GO Bonds						<u>\$ 5,400,000</u>	<u>\$ 420,000</u>
Deferred amounts:							
Plus: Unamortized Premium							
\$3,450,000 VRA GO bond						\$ 460,358	\$ 58,464
\$2,985,000 VRA GO bond						122,752	26,729
Total deferred amounts						<u>\$ 583,110</u>	<u>\$ 85,193</u>
Other Obligations:							
Capital Leases (Note 8)						\$ 520,153	\$ 189,512
Landfill Closure/Postclosure Liability						9,432,736	-
Net Pension Liability						890,810	-
Net OPEB Obligation						75,749	-
Compensated Absences						111,179	83,384
Total Other Obligations						<u>\$ 11,030,627</u>	<u>\$ 272,896</u>
Total Long-Term Obligations						<u>\$ 17,013,737</u>	<u>\$ 778,089</u>

a+ - annual principal installments shown, does not include semi-annual interest payments
 m - monthly installments

Note 7-Long-Term Obligations-Component Unit School Board:

Discretely Presented Component Unit-School Board-Indebtedness

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2015:

	Restated Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Net pension liability	\$ 58,617,847	\$ 5,104,421	\$ (11,091,903)	\$ 52,630,365
Net OPEB obligation	1,743,673	637,492	(343,239)	2,037,926
Capital leases	1,237,919	-	(312,673)	925,246
Compensated absences	303,268	217,889	(227,451)	293,706
Total	<u>\$ 61,902,707</u>	<u>\$ 5,959,802</u>	<u>\$ (11,975,266)</u>	<u>\$ 55,887,243</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 7-Long-Term Obligations-Component Unit School Board: (continued)

Discretely Presented Component Unit-School Board-Indebtedness (continued)

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
	<u> </u>	<u> </u>
<u>Other Obligations:</u>		
Net pension liability	\$ 52,630,365	\$ -
Net OPEB obligation	2,037,926	-
Capital leases (Note 8)	925,246	322,468
Compensated absences	<u>293,706</u>	<u>220,280</u>
 Total Long-Term Obligations	 <u>\$ 55,887,243</u>	 <u>\$ 542,748</u>

Note 8-Capital Leases:

Primary Government

The County has entered into a lease agreement with the Industrial Development Authority for financing the acquisition of the Wise County Justice Center. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception. The County has also entered into lease agreements with BB&T and U.S Bank for financing capital assets purchases for both the General Fund and the Enterprise-Landfill Fund.

The following is an analysis of the leases as of June 30, 2015:

	Lease Obligation	Net Asset Value
	<u> </u>	<u> </u>
Wise County Justice Center, 2.63%, \$32,389.74 monthly payment including interest, maturity date Feb 12, 2028	\$ 4,197,206	\$ 4,751,234
Various Capital Equipment, 2.32%, \$25,495.08 monthly payment including interest, maturity date Nov 16, 2015	126,740	-
Various Capital Equipment, 1.36%, \$16,857.66 monthly payment including interest, maturity date Dec 21, 2020	882,533	848,686
 Total Capital Leases	 <u>\$ 5,206,479</u>	 <u>\$ 5,599,920</u>

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 8-Capital Leases: (continued)

Primary Government (continued)

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2015, were as follows:

Year Ending June 30,	Governmental Activities			Business-type Activities		Total
	IDA General Fund	BB&T General Fund	US Bank General Fund	BB&T Landfill Fund	US Bank Landfill Fund	
2016	\$ 388,620	\$ 31,231	\$ 103,169	\$ 96,244	\$ 99,123	\$ 718,387
2017	388,620	-	103,169	-	99,123	590,912
2018	388,620	-	103,169	-	99,123	590,912
2019	388,620	-	103,169	-	99,123	590,912
2020	388,620	-	42,987	-	41,301	472,908
2021-2025	1,943,100	-	-	-	-	1,943,100
2026-2028	874,395	-	-	-	-	874,395
Subtotal	\$ 4,760,595	\$ 31,231	\$ 455,663	\$ 96,244	\$ 437,793	\$ 5,781,526
Less, amount representing interest	(563,389)	(179)	(13,238)	(556)	(13,328)	(590,690)
Present Value of Lease Agreement	\$ 4,197,206	\$ 31,052	\$ 442,425	\$ 95,688	\$ 424,465	\$ 5,190,836

School Board

The School Board has entered into lease agreements for energy renovations and school buses. These leases qualify as a capital lease for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of its inception.

The following is an analysis of the leases as of June 30, 2015:

	Lease Obligation	Net Asset Value
Energy building renovations, 3.51%, \$10,800.25 monthly payment including interest, maturity date June 19, 2016	\$ 127,210	\$ -
Energy building renovations, 4.00%, \$8,456.75 monthly payment including interest, maturity date June 20, 2020	459,194	-
School buses, 1.98%, \$117,377.02 annual payment including interest, maturity date Aug. 16, 2017	338,842	434,986
Total Capital Leases	\$ 925,246	\$ 434,986

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 8-Capital Leases: (continued)

School Board (continued)

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2015, were as follows:

Year Ending June 30,	School Board			Total
	Energy Renovations	Energy Renovations	School Buses	
2016	\$ 129,603	\$ 101,481	\$ 117,377	\$ 348,461
2017	-	101,481	117,377	218,858
2018	-	101,481	117,377	218,858
2019	-	101,481	-	101,481
2020	-	101,481	-	101,481
Subtotal	\$ 129,603	\$ 507,405	\$ 352,131	\$ 989,139
Less, amount representing interest	(2,393)	(48,211)	(13,289)	(63,893)
Present Value of Lease Agreement	\$ <u>127,210</u>	\$ <u>459,194</u>	\$ <u>338,842</u>	\$ <u>925,246</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 9—Pension Plan:

Plan Description

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 9—Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 9—Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 9—Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

Note 9—Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

Note 9—Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 9—Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>		<p>Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

Note 9—Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility Defined Benefit Component: VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

Note 9—Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

Note 9—Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 9—Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> •Hybrid Retirement Plan members are ineligible for ported service. •The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. •Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 9—Pension Plan: (continued)

Plan Description (continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf> or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government</u>	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	176	187
Inactive members:		
Vested inactive members	46	14
Non-vested inactive members	39	29
Inactive members active elsewhere in VRS	116	23
Total inactive members	201	66
Active members	262	69
Total covered employees	<u>639</u>	<u>322</u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 9—Pension Plan: (continued)

Contributions (continued)

The County’s contractually required contribution rate for the year ended June 30, 2015 was 12.71% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,069,766 and \$791,625 for the years ended June 30, 2015 and June 30, 2014, respectively.

The Component Unit School Board’s contractually required contribution rate for nonprofessional employees for the year ended June 30, 2015 was 20.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Wise County School Board’s nonprofessional employees were \$271,456 and \$205,764 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The County’s and Wise County School Board’s (nonprofessional) net pension liabilities were measured as of June 30, 2014. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County’s and Wise County School Board’s (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.50%
Salary Increases, including inflation	3.50% - 5.35%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 9—Pension Plan: (continued)

Actuarial Assumptions - General Employees (continued)

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

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

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

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

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 9—Pension Plan: (continued)

Actuarial Assumptions - Public Safety Employees (continued)

Inflation	2.50%
Salary Increases, including inflation	3.50% - 4.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 9—Pension Plan: (continued)

Actuarial Assumptions - Public Safety Employees (continued)

All Others (Non 10 Largest) - LEOS:

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 9—Pension Plan: (continued)

Discount Rate

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

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 50,917,289	\$ 38,470,358	\$ 12,446,931
Changes for the year:			
Service cost	\$ 1,040,689	\$ -	\$ 1,040,689
Interest	3,480,602	-	3,480,602
Differences between expected and actual experience	-	-	-
Contributions - employer	-	791,625	(791,625)
Contributions - employee	-	518,018	(518,018)
Net investment income	-	5,997,948	(5,997,948)
Benefit payments, including refunds of employee contributions	(2,388,795)	(2,388,795)	-
Administrative expenses	-	(32,941)	32,941
Other changes	-	317	(317)
Net changes	<u>\$ 2,132,496</u>	<u>\$ 4,886,172</u>	<u>\$ (2,753,676)</u>
Balances at June 30, 2014	<u>\$ 53,049,785</u>	<u>\$ 43,356,530</u>	<u>\$ 9,693,255</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 9—Pension Plan: (continued)

Changes in Net Pension Liability

	Comp. Unit - School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 12,380,635	\$ 8,005,788	\$ 4,374,847
Changes for the year:			
Service cost	\$ 153,753	\$ -	\$ 153,753
Interest	840,738	-	840,738
Differences between expected and actual experience	-	-	-
Contributions - employer	-	205,764	(205,764)
Contributions - employee	-	84,864	(84,864)
Net investment income	-	1,226,210	(1,226,210)
Benefit payments, including refunds of employee contributions	(740,191)	(740,191)	-
Administrative expenses	-	(6,930)	6,930
Other changes	-	65	(65)
Net changes	\$ 254,300	\$ 769,782	\$ (515,482)
Balances at June 30, 2014	\$ 12,634,935	\$ 8,775,570	\$ 3,859,365

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the County and Wise County School Board (nonprofessional) using the discount rate of 7.00%, as well as what the County's and Wise County School Board's (nonprofessional) net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 16,573,433	\$ 9,693,255	\$ 3,990,891
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 5,304,717	\$ 3,859,365	\$ 2,639,537

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 9—Pension Plan: (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the County and Wise County School Board (nonprofessional) recognized pension expense of \$713,097 and \$235,706, respectively. At June 30, 2015, the County and Wise County School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit-School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Change in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,675,148	-	545,424
Employer contributions subsequent to the measurement date	1,069,766	-	271,456	-
Total	\$ 1,069,766	\$ 2,675,148	\$ 271,456	\$ 545,424

\$1,069,766 and \$271,456 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	Primary Government	School Board (nonprofessional)
2016	\$ (668,787)	\$ (136,356)
2017	(668,787)	(136,356)
2018	(668,787)	(136,356)
2019	(668,787)	(136,356)
Thereafter	-	-
Total	\$ (2,675,148)	\$ (545,424)

Note 9—Pension Plan: (continued)

Component Unit School Board (professional)

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information regarding the plan description can be found in the first section of this note.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

Each School Division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the School Board were \$4,140,057 and \$3,446,000 for the years ended June 30, 2015 and June 30, 2014, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the school division reported a liability of \$48,771,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was .40358% as compared to .39375% at June 30, 2013.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 9—Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2015, the school division recognized pension expense of \$4,103,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2015, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	7,238,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,109,000	-
Employer contributions subsequent to the measurement date	4,140,057	-
Total	\$ 5,249,057	\$ 7,238,000

Amounts reported as deferred outflows of resources related to pensions resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year ended June 30
2016	\$ (1,565,000)
2017	(1,565,000)
2018	(1,565,000)
2019	(1,565,000)
Thereafter	131,000
Total	\$ (6,129,000)

Note 9—Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.50%
Salary Increases, including inflation	3.50% - 5.95%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

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

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 9—Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

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

Note 9—Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Discount Rate

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

Sensitivity of the School Division’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 71,616,000	\$ 48,771,000	\$ 29,963,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 10-Capital Assets:

Capital asset activity for the year ended June 30, 2015 was as follows:

Primary Government:

	Beginning Balance, as Restated	Increases	Decreases	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,150,643	\$ -	\$ -	\$ 2,150,643
Capital assets, being depreciated:				
Buildings and improvements	\$ 87,724,428	\$ -	\$ -	\$ 87,724,428
Machinery and equipment	5,932,304	359,187	(21,741)	6,269,750
Total capital assets being depreciated	<u>\$ 93,656,732</u>	<u>\$ 359,187</u>	<u>\$ (21,741)</u>	<u>\$ 93,994,178</u>
Accumulated depreciation:				
Buildings and improvements	\$ (14,718,738)	\$ (1,765,767)	\$ -	\$ (16,484,505)
Machinery and equipment	(4,527,023)	(397,110)	21,741	(4,902,392)
Total accumulated depreciation	<u>\$ (19,245,761)</u>	<u>\$ (2,162,877)</u>	<u>\$ 21,741</u>	<u>\$ (21,386,897)</u>
Total capital assets being depreciated, net	<u>\$ 74,410,971</u>	<u>\$ (1,803,690)</u>	<u>\$ -</u>	<u>\$ 72,607,281</u>
Governmental activities capital assets, net	<u>\$ 76,561,614</u>	<u>\$ (1,803,690)</u>	<u>\$ -</u>	<u>\$ 74,757,924</u>

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COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 10-Capital Assets: (continued)

Primary Government: (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 314,816	\$ -	\$ -	\$ 314,816
Capital assets, being depreciated:				
Infrastructure	\$ 16,183,149	\$ 13,270	\$ -	\$ 16,196,419
Machinery and equipment	4,938,004	375,757	(53,000)	5,260,761
Total capital assets being depreciated	<u>\$ 21,121,153</u>	<u>\$ 389,027</u>	<u>\$ (53,000)</u>	<u>\$ 21,457,180</u>
Accumulated depreciation:				
Infrastructure	\$ (4,975,528)	\$ (535,760)	\$ -	\$ (5,511,288)
Machinery and equipment	(3,616,603)	(318,233)	53,000	(3,881,836)
Total accumulated depreciation	<u>\$ (8,592,131)</u>	<u>\$ (853,993)</u>	<u>\$ 53,000</u>	<u>\$ (9,393,124)</u>
Total capital assets being depreciated, net	<u>\$ 12,529,022</u>	<u>\$ (464,966)</u>	<u>\$ -</u>	<u>\$ 12,064,056</u>
Business-type activities capital assets, net	<u><u>\$ 12,843,838</u></u>	<u><u>\$ (464,966)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,378,872</u></u>

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

Governmental activities:	
General governmental administration	\$ 77,306
Judicial administration	12,958
Public safety	356,245
Public works	278,846
Health and welfare	83,878
Education	1,305,525
Parks, recreation, and cultural	45,551
Community development	2,568
Total depreciation expense-governmental activities	<u><u>\$ 2,162,877</u></u>
Business-type activities:	
Public works	<u><u>\$ 853,993</u></u>

Business-type Other Assets:

The Sewer Enterprise Fund contains a balance of \$495,000 in Other Assets. This amount is for a connectivity fee with the City of Norton for the flow of wastewater. This agreement states that a fee of \$550,000 is for a forty year period and will be amortized over that period. Amortization in fiscal year 2015 was \$13,750 and accumulated amortization as of June 30, 2015 amounted to \$55,000.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 10-Capital Assets: (continued)

Capital asset activity for the School Board for the year ended June 30, 2015 was as follows:

Discretely Presented Component Unit:

	Beginning Balance, as Restated	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,018,463	\$ -	\$ -	\$ 2,018,463
Construction in progress	-	2,674,447	-	2,674,447
Total capital assets not being depreciated	<u>\$ 2,018,463</u>	<u>\$ 2,674,447</u>	<u>\$ -</u>	<u>\$ 4,692,910</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 63,214,778	\$ 386,187	\$ (1,209,712)	\$ 62,391,253
Machinery and equipment	9,208,057	731,874	(132,970)	9,806,961
Total capital assets being depreciated	<u>\$ 72,422,835</u>	<u>\$ 1,118,061</u>	<u>\$ (1,342,682)</u>	<u>\$ 72,198,214</u>
Accumulated depreciation:				
Buildings and improvements	\$ (33,719,195)	\$ (1,512,054)	\$ 1,161,533	\$ (34,069,716)
Machinery and equipment	(7,471,947)	(415,375)	132,970	(7,754,352)
Total accumulated depreciation	<u>\$ (41,191,142)</u>	<u>\$ (1,927,429)</u>	<u>\$ 1,294,503</u>	<u>\$ (41,824,068)</u>
Total capital assets being depreciated, net	<u>\$ 31,231,693</u>	<u>\$ (809,368)</u>	<u>\$ (48,179)</u>	<u>\$ 30,374,146</u>
Governmental activities capital assets, net	<u>\$ 33,250,156</u>	<u>\$ 1,865,079</u>	<u>\$ (48,179)</u>	<u>\$ 35,067,056</u>

Note 11-Risk Management:

The County and its Component Unit - School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County participates with other localities in a public entity risk pool for their coverage of general liability, property, crime and auto insurance with the Virginia Association of Counties Risk Pool. Each member of each of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County pays the Risk Pool contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County and its Component Unit - School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 12-Surety Bonds:

Primary Government:

<u>Constitutional Officer Risk Management Plan - Surety:</u>	
Jack Kennedy, Clerk of the Circuit Court	\$ 500,000
Delores W. Smith, Treasurer	500,000
Douglas Mullins, Jr., Commissioner of the Revenue	3,000
Ronnie D. Oakes, Sheriff	30,000
 <u>Travelers Casualty & Surety Co:</u>	
Public Officials Bond - Board of Supervisors	3,000
 <u>United States Fidelity and Guaranty Company Surety:</u>	
Greg Mullins, Superintendent of Schools	10,000
 <u>Fidelity & Deposit Company of Maryland-Surety:</u>	
Judy Clawson, Clerk of the School Board Deputy	\$ 10,000
Judy Durham, Clerk of the School Board	10,000
All School Board Employees: Blanket Bond	5,000
All Social Services Employees: Blanket Bond	100,000

Note 13-Landfill Closure and Postclosure Care Cost:

According to laws and regulations the County must perform closure and postclosure 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 its 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 require that the County conduct postclosure 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 postclosure care costs for the County's landfill operation is \$17,356,235. The accrued liability for these costs reported as of June 30, 2015 is based on the capacity of the landfill used to date. The landfill capacity used at year end is approximately 54% and the remaining life of the landfill is approximately 25 years. The remaining cost to be accrued in the future is as follows:

Total Estimated Liability	\$17,356,235
Accrued Liability as of June 30, 2015	<u>9,432,736</u>
Total Closure and Postclosure Care Costs Remaining to be Recognized	<u>\$ 7,923,499</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 13-Landfill Closure and Postclosure Care Cost: (continued)

It should be noted that the total estimated liability for the closure and post-closure care costs is only an estimate based on current projections. The estimates are reviewed by our engineer, Thompson & Litton, on an annual basis. Inflation factors are provided by the Department of Environmental Quality to apply to the estimates. Uncontrollable factors such as inflation, changes in technology, and changes in applicable laws and regulations may affect these projections.

The County demonstrated financial assurance requirements for closure and post-closure costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with 9 VAC 20-70-10 of the Virginia Administrative Code. 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 reserve fund designated for the purpose of landfill closure. The closure and post closure costs are being funded by an annual transfer from the general fund to this fund. As of June 30, 2015, the County has a balance of \$4,596,644 in this fund which is the aggregate funding to date including interest earned.

Note 14-Self Insurance:

In fiscal year 2015, the School Board established a self-health insurance plan. As the plan was implemented towards the end of the fiscal year it was determined any incurred but not reported (IBNR) liabilities would be immaterial.

Note 15-Deferred/Unavailable Revenue:

Deferred/Unavailable 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/Unavailable revenue is comprised of the following:

	<u>Unavailable</u>
Property taxes receivable-2nd half 2015	\$ 20,168,367
Prepaid taxes	1,469,430
Total unavailable revenue for governmental activities	\$ <u>21,637,797</u>
Delinquent taxes receivable due prior to June 30, 2015, not collected within 60 days	2,099,448
Total unavailable revenue for governmental funds	\$ <u><u>23,737,245</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 16-Commitments and Contingencies:

Construction Contracts:

Project	Contract Total	Paid as of 6/30/2015	Contract Remaining	Accounts Payable	Retainage Payable
HS Fieldhouse Contract #1	\$ 2,400,000	\$ 1,654,659	\$ 726,222	\$ 305,448	\$ 19,119
HS Fieldhouse Contract #2	673,473	527,104	118,627	196,721	27,742
Engineering & supplies	N/A	N/A	N/A	63,061	-
Total	\$ 3,073,473	\$ 2,181,763	\$ 844,849	\$ 565,230	\$ 46,861

Contingent Liabilities:

Federal programs in which the County and its component units participate 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 of this circular 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 17-Other Postemployment Benefits-Health Insurance:

From an accrual accounting perspective, the cost of postemployment health care benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the County recognizes the cost of postemployment health care in the year when the employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the County’s future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

A. Plan Description

The County of Wise and Wise County’s Component Unit - School Board administers a single-employer healthcare plan (“the Plan”). The Plan provides for participation by eligible retirees and their dependents in the health and dental insurance programs available to County and School Board employees. The Plan will provide retiring employees the option to continue health and dental insurance offered by the County and School Board. Any County and School Board eligible retiree may receive this benefit until the retiree is eligible to receive Medicare.

To be eligible for this benefit a retiree must meet at least one of the following criteria: attained age 50 and 10 years of service or attained age 55 and five years of service. The benefits, employee contributions and the employer contributions are governed by the Board of Supervisors and the School Board and can be amended through the Board of Supervisors or School Board action respectively. The Plan does not issue a publicly available financial report.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 17-Other Postemployment Benefits-Health Insurance: (continued)

B. Funding Policy

The County and School Board currently pay for the post-retirement health care benefits on a pay-as-you-go basis. The County and School Board currently have 260 and 763 employees that are eligible, respectively, for the program. In addition, 100 percent of premiums are the responsibility of the retiree.

County retirees are eligible to choose one of the following medical options through the County. The monthly rates are as follows:

Participants	Premiums Health Insurance	
	Option 1	Option 2
Employee	\$ 583	\$ 541
Employee / Spouse	1,079	1,001

School Board retirees are eligible to choose one of the following medical options through the School Board. The monthly rates are as follows:

Participants	Premiums	
	High DV	Base DV
Employee	\$ 518	\$ 508
Employee / Spouse	970	950

C. Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For 2015, the County's annual required contribution (ARC) of \$147,087 did not equal the annual OPEB cost of \$148,414. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution	\$ 147,087
Interest on net OPEB obligation	25,105
Adjustment to annual required contribution	(23,778)
Annual OPEB cost (expense)	148,414
Contributions made	(82,841)
Increase in net OPEB obligation	65,573
Net OPEB obligation - beginning of year	557,877
Net OPEB obligation - end of year	\$ 623,450

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 17-Other Postemployment Benefits-Health Insurance: (continued)

C. Annual OPEB Cost and Net OPEB Obligation (continued)

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 201,427	51.11%	\$ 458,518
6/30/2014	142,420	30.23%	557,877
6/30/2015	148,414	55.82%	623,450

For 2015, the School Board’s annual OPEB cost (expense) of \$637,492 was not equal to the ARC of \$633,348. The obligation calculation is as follows:

Annual required contribution	\$ 633,348
Interest on net OPEB obligation	78,465
Adjustment to annual required contribution	<u>(74,321)</u>
Annual OPEB cost (expense)	637,492
Contributions made	<u>(343,239)</u>
Increase (Decrease) in net OPEB obligation	294,253
Net OPEB asset - beginning of year	<u>1,743,673</u>
Net OPEB asset - end of year	\$ 2,037,926

The School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 610,643	56.52%	\$ 1,471,673
6/30/2014	720,002	62.23%	1,743,673
6/30/2015	637,492	53.84%	2,037,926

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 17-Other Postemployment Benefits-Health Insurance: (continued)

D. Funded Status and Funding Progress

The funded status of the Plan for the County as of June 30, 2015, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	1,597,166
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	1,597,166
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	10,141,501
UAAL as a percentage of covered payroll		15.75%

The funded status of the Plan for the School Board as of June 30, 2015, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	6,571,424
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	6,571,424
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	30,816,570
UAAL as a percentage of covered payroll		21.32%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Note 17-Other Postemployment Benefits-Health Insurance: (continued)

E. Actuarial Methods and Assumptions (continued)

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015 actuarial with results rolled-back to July 1, 2014 on a “no loss/no gain” basis, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility the actuarial assumptions included: inflations at 3 percent, and investments rate of return at 4.50 percent, and a health care trend rate of 8.00 percent graded to 5.00 percent over 10 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2015 was 30 years.

Note 18—Other Postemployment Benefits-VRS Health Insurance Credit:

County

A. Plan Description

The County participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is an agent and cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

An employee of the County, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 9.

B. Funding Policy

As a participating local political subdivision, the County is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County’s contribution rate for the fiscal year ended 2015 was 0.09% of annual covered payroll.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 18—Other Postemployment Benefits-VRS Health Insurance Credit: (continued)

County (continued)

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The County is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For 2015, the County’s contribution of \$1,980 was equal to the ARC and OPEB cost. The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the preceding two years are as follows:

	<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
Primary Government:				
County	6/30/2015	\$ 1,980	100.00%	-
	6/30/2014	2,625	100.00%	-
	6/30/2013	2,186	100.00%	-

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2014, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 166,101
Actuarial value of plan assets	193,419
Unfunded actuarial accrued liability (UAAL)	\$ (27,318)
Funded ratio (actuarial value of plan assets/AAL)	116.45%
Covered payroll (active plan members)	\$ 3,300,273
UAAL as a percentage of covered payroll	-0.83%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Note 18—Other Postemployment Benefits-VRS Health Insurance Credit: (continued)

County (continued)

D. Funded Status and Funding Progress (continued)

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.00% investment rate of return, compounded annually, including an inflation component of 2.50%, and a payroll growth rate of 3.00%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining closed amortization period at June 30, 2014 was 20-29 years.

The Retiree Health Insurance Credit benefit is based on a member's employer eligibility and his or her years of service. The monthly maximum credit amount cannot exceed the member's actual health insurance premium costs. The actuarial valuation for this plan assumes the maximum credit is payable for each eligible member. Since this benefit is a flat dollar amount multiplied by years of service and the maximum benefit is assumed, no assumption relating to healthcare cost trend rates is needed or applied.

Nonprofessional Employees - Discretely Presented Component Unit School Board

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is an agent and cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 18—Other Postemployment Benefits-VRS Health Insurance Credit: (continued)

Nonprofessional Employees - Discretely Presented Component Unit School Board (continued)

An employee of the School Board, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 9.

B. Funding Policy

As a participating local political subdivision, the School Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The School Board’s contribution rate for the fiscal year ended 2015 was 0.36% of annual covered payroll.

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The School Board is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For 2015, the School Board’s contribution of \$6,097 was equal to the ARC and OPEB cost. The School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the preceding two years are as follows:

	Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
School Board				
Nonprofessional	6/30/2015	\$ 6,097	100.00%	-
	6/30/2014	5,897	100.00%	-
	6/30/2013	5,978	100.00%	-

Note 18—Other Postemployment Benefits-VRS Health Insurance Credit: (continued)

Nonprofessional Employees - Discretely Presented Component Unit School Board (continued)

D. Funded Status and Funding Progress

The funded status of the plan at June 30, 2014, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	254,542
Actuarial value of plan assets		203,892
Unfunded actuarial accrued liability (UAAL)	\$	<u>50,650</u>
Funded ratio (actuarial value of plan assets/AAL)		80.10%
Covered payroll (active plan members)	\$	1,682,213
UAAL as a percentage of covered payroll		3.01%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The entry age normal cost method was used to determine the plan’s funding liabilities and costs. The actuarial assumptions included a 7.00% investment rate of return, compounded annually, including an inflation component of 2.50%, and a payroll growth rate of 3.00%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining closed amortization period at June 30, 2014 was 20-29 years.

The Retiree Health Insurance Credit benefit is based on a member’s employer eligibility and his or her years of service. The monthly maximum credit amount cannot exceed the member’s actual health insurance premium costs. The actuarial valuation for this plan assumes the maximum credit is payable for each eligible member. Since this benefit is a flat dollar amount multiplied by years of service and the maximum benefit is assumed, no assumption relating to healthcare cost trend rates is needed or applied.

Note 18—Other Postemployment Benefits-VRS Health Insurance Credit: (continued)

Professional Employees - Discretely Presented Component Unit School Board

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan managed by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.06% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2015 was \$303,088 and equaled the required contributions.

Note 19—Litigation:

As of June 30, 2015, there were no matters of litigation involving the County which would materially affect the County's financial position should an court decisions on pending matters not be favorable.

Note 20—Adoption of Accounting Principles:

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*:

The County implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of this Statement will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the restatement of net position as disclosed in Note 21.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 21—Restatement of Beginning Net Position:

<u>County - Governmental Funds</u>				
	<u>Coal</u>			
	<u>General</u>	<u>Road Improve.</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	
Fund Balance as reported 6/30/14	\$ 15,882,978	\$ 3,023,197	\$ 1,892,064	\$ 20,798,239
Merging Funds:				
E911	20,214	-	(20,214)	-
Law Library	47,446	-	(47,446)	-
Dog & Cat Sterilization	3,238	-	(3,238)	-
Community Corrections	148,353	-	(148,353)	-
IT Improvement	21,270	-	(21,270)	-
Software Engineering Initiative	88,754	-	(88,754)	-
Transient Occupancy	275,635	-	(275,635)	-
Drug Court	14,500	-	(14,500)	-
Fund Balance as restated 6/30/14	<u>\$ 16,502,388</u>	<u>\$ 3,023,197</u>	<u>\$ 1,272,654</u>	<u>\$ 20,798,239</u>

<u>School Board - Governmental Funds</u>					
	<u>Operating</u>	<u>Cafeteria</u>	<u>Capital Project</u>	<u>Textbook</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
Fund Balance as reported 6/30/14	\$ 200	\$ 1,201,982	\$ 791,959	\$ 484,705	\$ 2,478,846
Merging Funds:					
Textbook	484,705	-	-	(484,705)	-
Fund Balance as restated 6/30/14	<u>\$ 484,905</u>	<u>\$ 1,201,982</u>	<u>\$ 791,959</u>	<u>\$ -</u>	<u>\$ 2,478,846</u>

	<u>Governmental</u>	<u>Business - type Activities</u>		<u>Total</u>
	<u>Activities</u>	<u>Landfill</u>	<u>Sewer</u>	
Net position as previously reported 6/30/14	\$ 29,976,330	\$ 1,100,920	\$ 523,175	\$ 31,600,425
Implementation of GASB 68	(10,584,183)	(1,071,123)	-	(11,655,306)
Correct interest payable	-	(46,112)	-	(46,112)
Correct amortization of premiums	104,950	-	-	104,950
Correct capital assets related to debt	(6,196,305)	-	-	(6,196,305)
Correct error in capital assets	(122)	-	-	(122)
Net position as restated 6/30/14	<u>\$ 13,300,670</u>	<u>\$ (16,315)</u>	<u>\$ 523,175</u>	<u>\$ 13,807,530</u>

	<u>Component Unit</u>
	<u>School Board</u>
Net position as previously reported 6/30/14	\$ 26,189,589
Implementation of GASB 68	(54,966,083)
Correct capital assets related to debt	6,196,305
Add unrecorded bus lease	(447,276)
Add unrecorded buses	564,306
Add accum. depreciation on unrecorded buses	(58,782)
Net position as restated 6/30/14	<u>\$ (22,521,941)</u>

Note 22—Upcoming Pronouncements:

Statement No. 72, *Fair Value Measurement and Application*, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. No formal study or estimate of the impact of this standard has been performed.

Note 22—Upcoming Pronouncements: (continued)

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Required Supplementary Information

County of Wise, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 27,756,007	\$ 27,771,827	\$ 28,731,239	\$ 959,412
Other local taxes	5,690,000	5,690,000	5,333,931	(356,069)
Permits, privilege fees, and regulatory licenses	42,500	42,500	35,717	(6,783)
Fines and forfeitures	20,000	20,000	33,071	13,071
Revenue from the use of money and property	240,000	240,000	81,192	(158,808)
Charges for services	68,000	68,000	63,345	(4,655)
Miscellaneous	112,500	112,500	87,734	(24,766)
Recovered costs	566,000	1,107,400	816,258	(291,142)
Intergovernmental:				
Commonwealth	11,800,945	12,861,039	11,660,034	(1,201,005)
Federal	3,582,350	3,595,754	4,186,528	590,774
Total revenues	\$ 49,878,302	\$ 51,509,020	\$ 51,029,049	\$ (479,971)
EXPENDITURES				
Current:				
General government administration	\$ 3,545,830	\$ 3,560,650	\$ 3,285,764	\$ 274,886
Judicial administration	3,026,001	3,125,156	3,074,056	51,100
Public safety	9,603,131	10,243,460	9,475,547	767,913
Public works	982,325	1,064,940	994,441	70,499
Health and welfare	9,747,253	11,054,181	11,029,381	24,800
Education	14,962,344	14,962,344	15,142,813	(180,469)
Parks, recreation, and cultural	955,454	955,454	912,492	42,962
Community development	2,491,632	2,460,934	1,668,356	792,578
Nondepartmental	48,260	48,260	57,579	(9,319)
Debt service:				
Principal retirement	918,745	918,745	442,672	476,073
Interest and other fiscal charges	124,203	124,203	124,204	(1)
Total expenditures	\$ 46,405,178	\$ 48,518,327	\$ 46,207,305	\$ 2,311,022
Excess (deficiency) of revenues over (under) expenditures	\$ 3,473,124	\$ 2,990,693	\$ 4,821,744	\$ 1,831,051
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 450,120	\$ 578,135	\$ 432,636	\$ (145,499)
Transfers out	(4,181,419)	(4,190,919)	(4,100,124)	90,795
Total other financing sources (uses)	\$ (3,731,299)	\$ (3,612,784)	\$ (3,667,488)	\$ (54,704)
Net change in fund balances	\$ (258,175)	\$ (622,091)	\$ 1,154,256	\$ 1,776,347
Fund balances - beginning, as restated	258,175	622,091	16,502,388	15,880,297
Fund balances - ending	\$ -	\$ -	\$ 17,656,644	\$ 17,656,644

County of Wise, Virginia
Special Revenue Fund - Coal Road Improvement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Other local taxes	\$ 2,400,000	\$ 2,400,000	\$ 1,549,122	\$ (850,878)
Revenue from the use of money and property	-	-	28,547	28,547
Total revenues	\$ 2,400,000	\$ 2,400,000	\$ 1,577,669	\$ (822,331)
EXPENDITURES				
Current:				
Public works	\$ 130,000	\$ 130,000	\$ 1,082,842	\$ (952,842)
Community development	2,270,000	2,270,000	1,117,897	1,152,103
Total expenditures	\$ 2,400,000	\$ 2,400,000	\$ 2,200,739	\$ 199,261
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (623,070)	\$ (623,070)
Net change in fund balances	\$ -	\$ -	\$ (623,070)	\$ (623,070)
Fund balances - beginning	-	-	3,023,197	3,023,197
Fund balances - ending	\$ -	\$ -	\$ 2,400,127	\$ 2,400,127

County of Wise, Virginia
Schedule of OPEB Funding Progress
For the Year Ended June 30, 2015

Primary Government

County Healthcare Plan:

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2015	\$ -	\$ 1,597,166	\$ 1,597,166	0.00%	\$ 10,141,501	15.75%
June 30, 2014	-	1,435,736	1,435,736	0.00%	7,000,257	20.51%
June 30, 2013	-	1,469,174	1,469,174	0.00%	6,796,366	21.62%

VRS Health Insurance Credit:

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2014	\$ 193,419	\$ 166,101	\$ (27,318)	116.45%	\$ 3,300,273	-0.83%
June 30, 2013	177,930	170,111	(7,819)	104.60%	4,375,452	-0.18%
June 30, 2012	166,616	151,468	(15,148)	110.00%	3,642,959	-0.42%

Discretely Presented Component Unit:

School Board Healthcare Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2015	\$ -	\$ 6,571,424	\$ 6,571,424	0.00%	\$ 30,816,570	21.32%
June 30, 2014	-	7,537,612	7,537,612	0.00%	36,751,348	20.51%
June 30, 2013	-	7,487,263	7,487,263	0.00%	35,680,920	20.98%

VRS Health Insurance Credit:

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2014	\$ 203,892	\$ 254,542	\$ 50,650	80.10%	\$ 1,682,213	3.01%
June 30, 2013	190,417	251,050	60,633	75.85%	1,638,298	3.70%
June 30, 2012	184,151	256,082	71,931	71.91%	1,660,731	4.33%

County of Wise
 Schedule of Components of and Changes in Net Pension Liability and Related Ratios
 Primary Government
 For the Year Ended June 30, 2015

	2014
Total pension liability	
Service cost	\$ 1,040,689
Interest	3,480,602
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(2,388,795)
Net change in total pension liability	\$ 2,132,496
Total pension liability - beginning	50,917,289
Total pension liability - ending (a)	\$ 53,049,785
Plan fiduciary net position	
Contributions - employer	\$ 791,625
Contributions - employee	518,018
Net investment income	5,997,948
Benefit payments, including refunds of employee contributions	(2,388,795)
Administrative expense	(32,941)
Other	317
Net change in plan fiduciary net position	\$ 4,886,172
Plan fiduciary net position - beginning	38,470,358
Plan fiduciary net position - ending (b)	\$ 43,356,530
County's net pension liability - ending (a) - (b)	\$ 9,693,255
Plan fiduciary net position as a percentage of the total pension liability	81.73%
Covered-employee payroll	\$ 10,140,435
County's net pension liability as a percentage of covered-employee payroll	95.59%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

County of Wise
 Schedule of Components of and Changes in Net Pension Liability and Related Ratios
 Component Unit School Board (nonprofessional)
 For the Year Ended June 30, 2015

	2014
Total pension liability	
Service cost	\$ 153,753
Interest	840,738
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(740,191)
Net change in total pension liability	\$ 254,300
Total pension liability - beginning	12,380,635
Total pension liability - ending (a)	\$ 12,634,935
Plan fiduciary net position	
Contributions - employer	\$ 205,764
Contributions - employee	84,864
Net investment income	1,226,210
Benefit payments, including refunds of employee contributions	(740,191)
Administrative expense	(6,930)
Other	65
Net change in plan fiduciary net position	\$ 769,782
Plan fiduciary net position - beginning	8,005,788
Plan fiduciary net position - ending (b)	\$ 8,775,570
School Division's net pension liability - ending (a) - (b)	\$ 3,859,365
Plan fiduciary net position as a percentage of the total pension liability	69.45%
Covered-employee payroll	\$ 1,700,246
School Division's net pension liability as a percentage of covered-employee payroll	226.99%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

County of Wise
 Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
 For the Year Ended June 30, 2015*

	2015
Employer's Proportion of the Net Pension Liability (Asset)	0.40%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 48,771,000
Employer's Covered-Employee Payroll	42,146,416
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	115.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

County of Wise
Schedule of Employer Contributions
For the Year Ended June 30, 2015

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess)* (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
2015	\$ 1,336,945	\$ 1,069,766	\$ 267,179	\$ 10,518,844	10.17%
Component Unit School Board (nonprofessional)					
2015	\$ 339,237	\$ 271,456	\$ 67,781	\$ 1,669,474	16.26%
Component Unit School Board (professional)					
2015	\$ 4,140,057	\$ 4,140,057	-	\$ 28,625,391	14.46%

*The difference relates to the County and School Board using an agreed upon reduced rate from the VRS. This amount will impact the calculation of the net pension liability in the next fiscal year.

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

County of Wise
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Changes of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

Other Supplementary Information

County of Wise, Virginia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	<u>Special Revenue Funds</u>		Capital Projects <u>Fund</u>	<u>Total</u>
	Wise Development <u>Fund</u>	Forfeited Assets Fund		
ASSETS				
Cash and cash equivalents	\$ 50,867	\$ 124,392	\$ 163,559	\$ 338,818
Total assets	<u>\$ 50,867</u>	<u>\$ 124,392</u>	<u>\$ 163,559</u>	<u>\$ 338,818</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 5,966	\$ 5,208	\$ -	\$ 11,174
Due to other funds	-	-	700	700
Total liabilities	<u>\$ 5,966</u>	<u>\$ 5,208</u>	<u>\$ 700</u>	<u>\$ 11,874</u>
Fund balances:				
Restricted:				
Capital Projects	\$ -	\$ -	\$ 162,859	\$ 162,859
Wise Development	44,901	-	-	44,901
Asset forfeiture funds	-	119,184	-	119,184
Total fund balances	<u>\$ 44,901</u>	<u>\$ 119,184</u>	<u>\$ 162,859</u>	<u>\$ 326,944</u>
Total liabilities and fund balances	<u>\$ 50,867</u>	<u>\$ 124,392</u>	<u>\$ 163,559</u>	<u>\$ 338,818</u>

County of Wise, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue Funds			Capital Projects Fund	Total
	Wise Development Fund	Forfeited Assets Fund			
REVENUES					
Fines and forfeitures	\$ -	\$ 18,070	\$ -	\$ -	\$ 18,070
Revenue from the use of money and property	-	77	-	-	77
Miscellaneous	-	98,673	27,050	-	125,723
Intergovernmental revenues:					
Federal	468,933	4,021	525,945	-	998,899
Total revenues	\$ 468,933	\$ 120,841	\$ 552,995	\$ -	\$ 1,142,769
EXPENDITURES					
Current:					
Public safety	\$ -	\$ 101,137	\$ -	\$ -	\$ 101,137
Community development	896,268	-	-	-	896,268
Capital projects	-	-	1,032,431	-	1,032,431
Total expenditures	\$ 896,268	\$ 101,137	\$ 1,032,431	\$ -	\$ 2,029,836
Excess (deficiency) of revenues over (under) expenditures	\$ (427,335)	\$ 19,704	\$ (479,436)	\$ -	\$ (887,067)
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ 645	\$ (59,288)	\$ -	\$ (58,643)
Net change in fund balances	\$ (427,335)	\$ 20,349	\$ (538,724)	\$ -	\$ (945,710)
Fund balances - beginning, as restated	472,236	98,835	701,583	-	1,272,654
Fund balances - ending	\$ 44,901	\$ 119,184	\$ 162,859	\$ -	\$ 326,944

County of Wise, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Agency Funds			<u>Total</u>
	Special Welfare <u>Fund</u>	Local Sales Tax <u>Fund</u>	Lonesome Pine Youth Services <u>Fund</u>	
ASSETS				
Cash and cash equivalents	\$ 95,142	\$ 55,381	\$ 243	\$ 150,766
Due from other governments	-	296,757	-	296,757
Total assets	<u>\$ 95,142</u>	<u>\$ 352,138</u>	<u>\$ 243</u>	<u>\$ 447,523</u>
LIABILITIES				
Amounts held for social services clients	\$ 95,142	\$ -	\$ -	\$ 95,142
Amounts held for other governments	-	352,138	-	352,138
Amounts held for youth services	-	-	243	243
Total liabilities	<u>\$ 95,142</u>	<u>\$ 352,138</u>	<u>\$ 243</u>	<u>\$ 447,523</u>

County of Wise, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
June 30, 2015

	Agency Funds			
	Special Welfare Fund	Local Sales Tax Fund	Lonesome Pine Youth Services Fund	Total
Assets:				
Beginning Balance	\$ 97,177	\$ 334,192	\$ 243	\$ 431,612
Additions	273,975	635,997	-	909,972
Deletions	(276,010)	(618,051)	-	(894,061)
Ending Balance	<u>\$ 95,142</u>	<u>\$ 352,138</u>	<u>\$ 243</u>	<u>\$ 447,523</u>
Liabilities:				
Beginning Balance	\$ 97,177	\$ 334,192	\$ 243	\$ 431,612
Additions	273,975	635,997	-	909,972
Deletions	(276,010)	(618,051)	-	(894,061)
Ending Balance	<u>\$ 95,142</u>	<u>\$ 352,138</u>	<u>\$ 243</u>	<u>\$ 447,523</u>

County of Wise, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2015

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Total
ASSETS				
Cash and cash equivalents	\$ 506,066	\$ 1,280,376	\$ 1,019,073	\$ 2,805,515
Investments	11,253	10,236	9,918	31,407
Receivables (net of allowance for uncollectibles):				
Accounts receivable	56,360	-	-	56,360
Due from other funds	2,500	-	-	2,500
Due from primary government	328,979	-	-	328,979
Due from other governmental units	1,260,872	-	-	1,260,872
Total assets	<u>\$ 2,166,030</u>	<u>\$ 1,290,612</u>	<u>\$ 1,028,991</u>	<u>\$ 4,485,633</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,247,020	\$ 30,709	\$ 612,091	\$ 1,889,820
Salaries payable	402,209	19,116	-	421,325
Total liabilities	<u>\$ 1,649,229</u>	<u>\$ 49,825</u>	<u>\$ 612,091</u>	<u>\$ 2,311,145</u>
Fund balances:				
Restricted:				
School cafeteria	\$ -	\$ 1,240,787	\$ -	\$ 1,240,787
School construction	-	-	416,900	416,900
Committed:				
Textbooks	516,601	-	-	516,601
Unassigned	200	-	-	200
Total fund balances	<u>\$ 516,801</u>	<u>\$ 1,240,787</u>	<u>\$ 416,900</u>	<u>\$ 2,174,488</u>
Total liabilities and fund balances	<u>\$ 2,166,030</u>	<u>\$ 1,290,612</u>	<u>\$ 1,028,991</u>	<u>\$ 4,485,633</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:				
Total fund balances per above				\$ 2,174,488
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
Land			\$ 2,018,463	
Construction in progress			2,674,447	
Buildings and improvements			28,321,537	
Machinery and equipment			<u>2,052,609</u>	35,067,056
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				
Items related to the measurement of the net pension liability				(7,783,424)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.				
				38,283
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.				
				4,411,513
Long-term liabilities, including early retirement incentives, are not due and payable in the current period and, therefore, are not reported in the funds.				
Net pension liability			\$ (52,630,365)	
Net OPEB obligation			(2,037,926)	
Capital leases			(925,246)	
Adjustment for changes in proportionate share of net pension liability			1,109,000	
Compensated absences			<u>(293,706)</u>	(54,778,243)
Net position of governmental activities				<u>\$ (20,870,327)</u>

County of Wise, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2015

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Total
REVENUES				
Revenue from the use of money and property	\$ 12,509	\$ 4,522	\$ -	\$ 17,031
Charges for services	126,493	889,632	-	1,016,125
Miscellaneous	-	-	2,150,000	2,150,000
Recovered costs	2,297,707	-	-	2,297,707
Intergovernmental:				
Local government	14,316,961	-	772,394	15,089,355
Commonwealth	36,345,828	47,760	-	36,393,588
Federal	4,965,238	1,682,241	-	6,647,479
Total revenues	<u>\$ 58,064,736</u>	<u>\$ 2,624,155</u>	<u>\$ 2,922,394</u>	<u>\$ 63,611,285</u>
EXPENDITURES				
Current:				
Education	\$ 55,062,872	\$ 2,599,374	\$ -	\$ 57,662,246
Capital projects	-	-	3,333,887	3,333,887
Debt service:				
Principal retirement	612,673	-	-	612,673
Interest and other fiscal charges	2,306,837	-	-	2,306,837
Total expenditures	<u>\$ 57,982,382</u>	<u>\$ 2,599,374</u>	<u>\$ 3,333,887</u>	<u>\$ 63,915,643</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 82,354</u>	<u>\$ 24,781</u>	<u>\$ (411,493)</u>	<u>\$ (304,358)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 14,024	\$ 36,434	\$ 50,458
Transfers out	(50,458)	-	-	(50,458)
Total other financing sources and uses	<u>\$ (50,458)</u>	<u>\$ 14,024</u>	<u>\$ 36,434</u>	<u>\$ -</u>
Net change in fund balances	\$ 31,896	\$ 38,805	\$ (375,059)	\$ (304,358)
Fund balances - beginning, as restated	484,905	1,201,982	791,959	2,478,846
Fund balances - ending	<u>\$ 516,801</u>	<u>\$ 1,240,787</u>	<u>\$ 416,900</u>	<u>\$ 2,174,488</u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:				
Net change in fund balances - total governmental funds - per above				\$ (304,358)
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 expense in the current period.				
Capital asset additions			\$ 3,792,508	
Depreciation in current year			<u>(1,927,429)</u>	1,865,079
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.				(48,179)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.				
Change in deferred inflows of resources related to the measurement of the net pension liability				(7,783,424)
The issuance of capital 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 position. Also government funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.				
Capital leases - principal payments				312,673
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.				
(Increase) decrease in compensated absences			\$ 9,562	
(Increase) decrease in net pension liability			5,987,482	
Increase (decrease) in deferred outflows of resources related to the net pension liability			1,868,749	
Increase (decrease) in net OPEB obligation			<u>(294,253)</u>	7,571,540
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.				
				38,283
Change in net position of governmental activities				<u>\$ 1,651,614</u>

County of Wise, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2015

	School Operating Fund			School Cafeteria Fund			School Capital Projects Fund		
	Budgeted Amounts		Variance with Final Budget Positive (Negative)	Budgeted Amounts		Variance with Final Budget Positive (Negative)	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	Actual	Original	Final	Actual	Original	Final	Actual
REVENUES									
Revenue from use of money and property	\$ 18,000	\$ 18,000	\$ 12,509	\$ -	\$ -	\$ 4,522	\$ -	\$ -	\$ -
Charges for services	4,500	4,500	126,493	1,178,000	1,178,000	889,632	-	-	-
Miscellaneous	-	-	-	-	-	-	2,000,000	2,000,000	2,150,000
Recovered costs	2,748,600	2,748,600	2,297,707	-	-	-	-	-	-
Intergovernmental:									
Local government	15,030,500	15,030,500	14,316,961	-	-	-	500,000	500,000	772,394
Commonwealth	37,251,100	37,251,100	36,345,828	52,000	52,000	47,760	-	-	-
Federal	4,246,900	4,246,900	4,965,238	1,750,000	1,750,000	1,682,241	-	-	-
Total revenues	\$ 59,299,600	\$ 59,299,600	\$ 58,064,736	\$ 2,980,000	\$ 2,980,000	\$ 2,624,155	\$ 2,500,000	\$ 2,500,000	\$ 2,922,394
	\$ 56,642,639	\$ 56,642,639	\$ 55,062,872	\$ 2,980,000	\$ 2,980,000	\$ 2,599,374	\$ -	\$ -	\$ -
EXPENDITURES									
Current:									
Education									
Capital projects									
Debt service:									
Principal retirement	612,673	612,673	612,673	-	-	-	-	-	-
Interest and other fiscal charges	2,044,288	2,044,288	2,306,837	-	-	-	-	-	-
Total expenditures	\$ 59,299,600	\$ 59,299,600	\$ 57,982,382	\$ 2,980,000	\$ 2,980,000	\$ 2,599,374	\$ 2,500,000	\$ 2,500,000	\$ 3,333,887
	\$ -	\$ -	\$ 82,354	\$ -	\$ -	\$ 24,781	\$ -	\$ -	\$ (411,493)
Excess (deficiency) of revenues over (under) expenditures									
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,024	\$ -	\$ -	\$ 36,434
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	(50,458)	-	-	-	-	-	-
Transfers out	-	-	(50,458)	-	-	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ (50,458)	\$ (50,458)	\$ (50,458)	\$ (50,458)	\$ -	\$ -	\$ 36,434
	\$ -	\$ -	\$ 31,896	\$ -	\$ -	\$ 38,805	\$ -	\$ -	\$ (375,059)
Net change in fund balances	-	-	484,905	-	-	1,201,982	-	-	791,959
Fund balances - beginning, as restated	-	-	516,801	-	-	1,240,787	-	-	416,900
Fund balances - ending	\$ -	\$ -	\$ 516,801	\$ 516,801	\$ 516,801	\$ 1,240,787	\$ -	\$ -	\$ 416,900

County of Wise, Virginia
Statement of Net Position
Discretely Presented Component Unit - School Board
Internal Service Fund
June 30, 2015

	Self- Insurance <u>Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 40,783
Total assets	\$ 40,783
 LIABILITIES	
Current liabilities:	
Due to other funds	\$ 2,500
Total liabilities	\$ 2,500
 NET POSITION	
Restricted for health insurance claims	\$ 38,283
Total net position	\$ 38,283

County of Wise, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - School Board
Internal Service Fund
For the Year Ended June 30, 2015

	Self- Insurance <u>Fund</u>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 38,283
Total operating revenues	<u>\$ 38,283</u>
OPERATING EXPENSES	
Insurance claims and expenses	<u>\$ -</u>
Total operating expenses	<u>\$ -</u>
Operating income (loss)	\$ 38,283
Total net position - beginning	-
Total net position - ending	<u><u>\$ 38,283</u></u>

County of Wise, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - School Board
Internal Service Fund
For the Year Ended June 30, 2015

	Self- Insurance <u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 40,783
Net cash provided by (used for) operating activities	<u>\$ 40,783</u>
 Net increase (decrease) in cash and cash equivalents	 \$ 40,783
 Cash and cash equivalents - beginning	 -
Cash and cash equivalents - ending	<u><u>\$ 40,783</u></u>
 Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 38,283
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Increase (decrease) in due to other funds	\$ 2,500
Total adjustments	<u>\$ 2,500</u>
Net cash provided by (used for) operating activities	<u><u>\$ 40,783</u></u>

SUPPORTING SCHEDULES

County of Wise, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2015

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real Property Tax	\$ 10,700,000	\$ 10,700,000	\$ 11,457,221	\$ 757,221
Real and Personal PSC Tax	8,911,240	8,911,240	8,149,961	(761,279)
Personal Property Tax	4,299,767	4,299,767	5,045,979	746,212
Mobile Home Tax	210,000	210,000	192,984	(17,016)
Machinery and Tools Tax	2,350,000	2,350,000	2,448,152	98,152
Merchants Capital Tax	950,000	950,000	947,796	(2,204)
DMV stops/administration fees	-	15,820	21,985	6,165
Penalties	335,000	335,000	352,463	17,463
Interest	-	-	114,698	114,698
Total general property taxes	<u>\$ 27,756,007</u>	<u>\$ 27,771,827</u>	<u>\$ 28,731,239</u>	<u>\$ 959,412</u>
Other local taxes:				
Local Sales and Use Tax	\$ 2,600,000	\$ 2,600,000	\$ 2,826,554	\$ 226,554
Consumers' Utility Tax	335,000	335,000	410,990	75,990
Consumption Tax	145,000	145,000	91,624	(53,376)
Coal Severance Tax	2,400,000	2,400,000	1,779,388	(620,612)
Utility License Tax	-	-	34,121	34,121
Transient Occupancy Tax	53,000	53,000	45,833	(7,167)
Motor Vehicle Licenses	-	-	2,722	2,722
Bank Stock Tax	-	-	12,756	12,756
Taxes on Recordation and Wills	157,000	157,000	129,943	(27,057)
Total other local taxes	<u>\$ 5,690,000</u>	<u>\$ 5,690,000</u>	<u>\$ 5,333,931</u>	<u>\$ (356,069)</u>
Permits, privilege fees, and regulatory licenses:				
Building permits	\$ 35,000	\$ 35,000	\$ 20,961	\$ (14,039)
Zoning permits	-	-	2,325	2,325
Animal licenses	7,500	7,500	9,762	2,262
Erosion and sediment permits	-	-	2,669	2,669
Total permits, privilege fees, and regulatory licenses	<u>\$ 42,500</u>	<u>\$ 42,500</u>	<u>\$ 35,717</u>	<u>\$ (6,783)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 20,000	\$ 20,000	\$ 33,071	\$ 13,071
Revenue from use of money and property:				
Revenue from use of money	\$ 200,000	\$ 200,000	\$ 50,029	\$ (149,971)
Revenue from use of property	40,000	40,000	31,163	(8,837)
Total revenue from use of money and property	<u>\$ 240,000</u>	<u>\$ 240,000</u>	<u>\$ 81,192</u>	<u>\$ (158,808)</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ -	\$ -	\$ 3,394	\$ 3,394
Charges for electronic summons	-	-	18,950	18,950
Charges for Community Corrections	-	-	14,746	14,746
Courthouse maintenance fees	-	-	13,574	13,574
Court recording fees	65,000	65,000	7,566	(57,434)
Court appointed attorney	-	-	198	198
Charges for Commonwealth's Attorney	3,000	3,000	4,917	1,917
Total charges for services	<u>\$ 68,000</u>	<u>\$ 68,000</u>	<u>\$ 63,345</u>	<u>\$ (4,655)</u>

County of Wise, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous revenue	\$ 112,500	\$ 112,500	\$ 87,734	\$ (24,766)
Recovered costs:				
Recovered costs - City of Norton shared services	\$ 306,000	\$ 306,000	\$ 230,531	\$ (75,469)
Recovered costs - Pre-trial services	-	18,400	218,400	200,000
Recovered costs - Social Services	225,000	225,000	305,603	80,603
Recovered costs - Health Department	35,000	35,000	22,306	(12,694)
Recovered costs - other	-	523,000	39,418	(483,582)
Total recovered costs	\$ 566,000	\$ 1,107,400	\$ 816,258	\$ (291,142)
Total revenue from local sources	\$ 34,495,007	\$ 35,052,227	\$ 35,182,487	\$ 130,260
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicles carriers' tax	\$ 140,000	\$ 140,000	\$ 154,988	\$ 14,988
Mobile home titling tax	115,000	115,000	101,561	(13,439)
Motor vehicle rental tax	6,000	6,000	2,981	(3,019)
State recordation tax	-	-	41,152	41,152
Communications tax	998,000	998,000	1,001,210	3,210
Personal property tax relief act funds	1,380,233	1,380,233	1,380,233	-
Total noncategorical aid	\$ 2,639,233	\$ 2,639,233	\$ 2,682,125	\$ 42,892
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 680,796	\$ 705,724	\$ 675,013	\$ (30,711)
Sheriff	2,034,738	2,034,738	2,077,957	43,219
Commissioner of revenue	187,663	187,663	188,657	994
Treasurer	146,756	146,756	154,752	7,996
Registrar/electoral board	48,950	48,950	41,032	(7,918)
Clerk of the Circuit Court	423,766	480,601	481,357	756
Reduction in State Aid	-	-	(129,146)	(129,146)
Total Shared Expenses	\$ 3,522,669	\$ 3,604,432	\$ 3,489,622	\$ (114,810)
Other categorical aid:				
Victim witness grant	\$ 56,951	\$ 58,302	\$ 27,741	\$ (30,561)
Pre-trial services grant	800,000	800,000	600,000	(200,000)
SW VA Corrections grant	599,911	600,746	600,746	-
Law enforcement grants	47,000	47,000	96,933	49,933
Four for life grant	35,000	35,000	31,604	(3,396)
Emergency services grants	320,703	320,703	96,813	(223,890)
Fire Program Funds	75,000	83,290	84,438	1,148
Library grants	-	-	15,000	15,000
Public assistance	3,704,478	3,704,478	2,490,667	(1,213,811)
Comprehensive services act	-	967,855	1,444,345	476,490
Total other categorical aid	\$ 5,639,043	\$ 6,617,374	\$ 5,488,287	\$ (1,129,087)
Total categorical aid	\$ 9,161,712	\$ 10,221,806	\$ 8,977,909	\$ (1,243,897)
Total revenue from the Commonwealth	\$ 11,800,945	\$ 12,861,039	\$ 11,660,034	\$ (1,201,005)

County of Wise, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2015

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of tax	\$ -	\$ -	\$ 32,615	\$ 32,615
Categorical aid:				
Law enforcement grants	\$ 18,500	\$ 31,904	\$ 9,024	\$ (22,880)
Community development block grant	200,000	200,000	-	(200,000)
Emergency management preparedness	102,500	102,500	38,013	(64,487)
Crime victim assistance	-	-	56,950	56,950
Violence against women grant	-	-	24,950	24,950
Comprehensive services act	-	-	21,098	21,098
Public assistance	3,261,350	3,261,350	4,003,878	742,528
Total categorical aid	\$ 3,582,350	\$ 3,595,754	\$ 4,153,913	\$ 558,159
Total revenue from the federal government	\$ 3,582,350	\$ 3,595,754	\$ 4,186,528	\$ 590,774
Total General Fund	\$ 49,878,302	\$ 51,509,020	\$ 51,029,049	\$ (479,971)
Special Revenue Funds:				
Coal Road Improvement Fund:				
Revenue from local sources:				
Other local taxes:				
Coal road taxes	\$ 2,400,000	\$ 2,400,000	\$ 1,549,122	\$ (850,878)
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 28,547	\$ 28,547
Total revenue from local sources	\$ 2,400,000	\$ 2,400,000	\$ 1,577,669	\$ (822,331)
Total Industrial Development Fund	\$ 2,400,000	\$ 2,400,000	\$ 1,577,669	\$ (822,331)
Nonmajor Special Revenue Funds:				
Wise Development Fund:				
Revenue from the federal government:				
Categorical aid:				
Research Cooperative Agreement - NASA	\$ 645,235	\$ 1,029,785	\$ 468,933	\$ (560,852)
Total revenue from the federal government	\$ 645,235	\$ 1,029,785	\$ 468,933	\$ (560,852)
Total Wise Development Fund	\$ 645,235	\$ 1,029,785	\$ 468,933	\$ (560,852)
Forfeited Assets Fund:				
Revenue from local sources:				
Fines and forfeitures:				
Court fines and forfeitures	\$ -	\$ -	\$ 18,070	\$ 18,070
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 77	\$ 77

County of Wise, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2015

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Forfeited Assets Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Other miscellaneous	\$ -	\$ 125,450	\$ 98,673	\$ (26,777)
Total revenue from local sources	\$ -	\$ 125,450	\$ 116,820	\$ (8,630)
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Asset forfeiture funds	\$ -	\$ -	\$ 178	\$ 178
Law enforcement grants	-	-	3,843	3,843
Total categorical aid	\$ -	\$ -	\$ 4,021	\$ 4,021
Total revenue from the federal government	\$ -	\$ -	\$ 4,021	\$ 4,021
Total Forfeited Assets Fund	\$ -	\$ 125,450	\$ 120,841	\$ (4,609)
Nonmajor Capital Projects Funds:				
Capital Projects Fund:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 27,050	\$ 27,050
Revenue from the federal government:				
Categorical aid:				
Wise Inn Restoration & Redevelopment	\$ -	\$ -	\$ 158,819	\$ 158,819
Stephens South River Project	-	-	367,126	367,126
Total categorical aid	\$ -	\$ -	\$ 525,945	\$ 525,945
Total revenue from the federal government	\$ -	\$ -	\$ 525,945	\$ 525,945
Total School Capital Projects Fund	\$ -	\$ -	\$ 552,995	\$ 552,995
Total Primary Government	\$ 52,923,537	\$ 55,064,255	\$ 53,749,487	\$ (1,314,768)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 18,000	\$ 18,000	\$ 11,260	\$ (6,740)
Revenue from the use of property	-	-	1,249	1,249
Total revenue from use of money and property	\$ 18,000	\$ 18,000	\$ 12,509	\$ (5,491)
Charges for services:				
Tuition and payments from other divisions	\$ 4,500	\$ 4,500	\$ 126,493	\$ 121,993

County of Wise, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2015

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Insurance adjustments	\$ 1,500,000	\$ 1,500,000	\$ 1,226,543	\$ (273,457)
Medicaid billings	200,000	200,000	268,508	68,508
ERATE reimbursements	-	-	259,633	259,633
Other recovered costs	1,048,600	1,048,600	543,023	(505,577)
Total recovered costs	<u>\$ 2,748,600</u>	<u>\$ 2,748,600</u>	<u>\$ 2,297,707</u>	<u>\$ (450,893)</u>
Total revenue from local sources	<u>\$ 2,771,100</u>	<u>\$ 2,771,100</u>	<u>\$ 2,436,709</u>	<u>\$ (334,391)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Wise, Virginia	<u>\$ 15,030,500</u>	<u>\$ 15,030,500</u>	<u>\$ 14,316,961</u>	<u>\$ (713,539)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 5,846,300	\$ 5,846,300	\$ 5,831,811	\$ (14,489)
Basic Aid	19,218,600	19,218,600	18,712,463	(506,137)
Remedial summer education	135,900	135,900	139,120	3,220
Regular foster care	23,600	23,600	6,483	(17,117)
Special education	1,833,100	1,833,100	1,806,058	(27,042)
Alternative education	301,200	301,200	301,189	(11)
Algebra readiness	118,700	118,700	116,420	(2,280)
Social security fringe benefits	1,181,200	1,181,200	1,163,809	(17,391)
Group life fringe benefits	83,100	83,100	73,277	(9,823)
Retirement fringe benefits	2,423,700	2,423,700	2,370,721	(52,979)
Governor's School	-	-	33,930	33,930
Early reading intervention	165,600	165,600	137,227	(28,373)
Adult education	413,200	413,200	113,098	(300,102)
Homebound education	100,600	100,600	70,989	(29,611)
Vocation education	707,700	707,700	712,239	4,539
At risk payments	976,900	976,900	955,933	(20,967)
Primary class size	1,067,100	1,067,100	1,045,601	(21,499)
VPSA technology	388,000	388,000	362,000	(26,000)
At risk 4 year olds	801,400	801,400	801,419	19
English as a second language	-	-	15,803	15,803
Textbook/lottery payments	429,400	429,400	414,747	(14,653)
GED prep program	-	-	24,576	24,576
Gifted and talend	205,600	205,600	202,589	(3,011)
Remedial education	796,200	796,200	784,493	(11,707)
Other state funds	34,000	34,000	149,833	115,833
Total categorical aid	<u>\$ 37,251,100</u>	<u>\$ 37,251,100</u>	<u>\$ 36,345,828</u>	<u>\$ (905,272)</u>
Total revenue from the Commonwealth	<u>\$ 37,251,100</u>	<u>\$ 37,251,100</u>	<u>\$ 36,345,828</u>	<u>\$ (905,272)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 2,077,800	\$ 2,077,800	\$ 1,919,732	\$ (158,068)
Special education	1,275,000	1,275,000	1,160,454	(114,546)
Title VI-B, preschool	-	-	27,211	27,211

County of Wise, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2015

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government: (Continued)				
Vocational education	\$ 125,700	\$ 125,700	\$ 123,848	\$ (1,852)
Improving teacher quality	397,100	397,100	650,636	253,536
Title VI rural education	-	-	85,115	85,115
JROTC	-	-	54,193	54,193
Forest reserve	70,000	70,000	51,011	(18,989)
Homeless education	-	-	7,140	7,140
QSCAB federal interest subsidy	-	-	590,963	590,963
Basic adult education	301,300	301,300	294,935	(6,365)
Total categorical aid	<u>\$ 4,246,900</u>	<u>\$ 4,246,900</u>	<u>\$ 4,965,238</u>	<u>\$ 718,338</u>
Total revenue from the federal government	<u>\$ 4,246,900</u>	<u>\$ 4,246,900</u>	<u>\$ 4,965,238</u>	<u>\$ 718,338</u>
Total School Operating Fund	<u>\$ 59,299,600</u>	<u>\$ 59,299,600</u>	<u>\$ 58,064,736</u>	<u>\$ (1,234,864)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 4,522	\$ 4,522
Charges for services:				
Cafeteria sales	\$ 1,178,000	\$ 1,178,000	\$ 889,632	\$ (288,368)
Total revenue from local sources	<u>\$ 1,178,000</u>	<u>\$ 1,178,000</u>	<u>\$ 894,154</u>	<u>\$ (283,846)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 52,000	\$ 52,000	\$ 47,760	\$ (4,240)
Total revenue from the Commonwealth	<u>\$ 52,000</u>	<u>\$ 52,000</u>	<u>\$ 47,760</u>	<u>\$ (4,240)</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 1,750,000	\$ 1,750,000	\$ 1,663,176	\$ (86,824)
Fresh fruit and vegetables grant	-	-	19,065	\$ 19,065
Total categorical aid	<u>\$ 1,750,000</u>	<u>\$ 1,750,000</u>	<u>\$ 1,682,241</u>	<u>\$ (67,759)</u>
Total revenue from the federal government	<u>\$ 1,750,000</u>	<u>\$ 1,750,000</u>	<u>\$ 1,682,241</u>	<u>\$ (67,759)</u>
Total School Cafeteria Fund	<u>\$ 2,980,000</u>	<u>\$ 2,980,000</u>	<u>\$ 2,624,155</u>	<u>\$ (355,845)</u>

County of Wise, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2015

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Capital Projects Fund:				
School Capital Projects Fund:				
Revenue from local sources:				
Miscellaneous:				
Donations	\$ 2,000,000	\$ 2,000,000	\$ 2,150,000	\$ 150,000
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Wise, Virginia	\$ 500,000	\$ 500,000	\$ 772,394	\$ 272,394
Total School Capital Projects Fund	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>	<u>\$ 2,922,394</u>	<u>\$ 422,394</u>
 Total Discretely Presented Component Unit - School Board	 <u>\$ 64,779,600</u>	 <u>\$ 64,779,600</u>	 <u>\$ 63,611,285</u>	 <u>\$ (454,776)</u>

County of Wise, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Schedule 2
Page 1 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of Supervisors	\$ 277,010	\$ 302,010	\$ 291,358	\$ 10,652
General and financial administration:				
County Administrator	\$ 543,412	\$ 543,412	\$ 536,378	\$ 7,034
Legal services	226,970	170,970	164,960	6,010
Commissioner of Revenue	666,248	666,248	625,036	41,212
Assessor	176,416	176,416	206,105	(29,689)
Treasurer	669,233	685,053	646,889	38,164
Data Processing	186,262	186,262	183,648	2,614
GIS	592,540	592,540	429,277	163,263
Total general and financial administration	<u>\$ 3,061,081</u>	<u>\$ 3,020,901</u>	<u>\$ 2,792,293</u>	<u>\$ 228,608</u>
Board of elections:				
Electoral Board	\$ 12,408	\$ 15,008	\$ 10,432	\$ 4,576
Registrar	195,331	222,731	191,681	31,050
Total board of elections	<u>\$ 207,739</u>	<u>\$ 237,739</u>	<u>\$ 202,113</u>	<u>\$ 35,626</u>
Total general government administration	<u>\$ 3,545,830</u>	<u>\$ 3,560,650</u>	<u>\$ 3,285,764</u>	<u>\$ 274,886</u>
Judicial administration:				
Courts:				
Circuit court	\$ 100,316	\$ 126,469	\$ 125,788	\$ 681
General district court	15,350	15,350	10,232	5,118
Juvenile and domestic court clerk	5,962	5,962	7,207	(1,245)
Juvenile and domestic relations court	467,230	467,230	464,665	2,565
Clerk of the circuit court	855,564	899,567	877,829	21,738
Sheriff - court services	440,453	440,453	542,130	(101,677)
Magistrate	3,700	3,700	2,292	1,408
Victim witness	57,319	58,670	56,874	1,796
Law library	22,000	22,000	12,527	9,473
Total courts	<u>\$ 1,967,894</u>	<u>\$ 2,039,401</u>	<u>\$ 2,099,544</u>	<u>\$ (60,143)</u>
Commonwealth's Attorney:				
Commonwealth's Attorney	\$ 1,058,107	\$ 1,085,755	\$ 974,512	\$ 111,243
Total judicial administration	<u>\$ 3,026,001</u>	<u>\$ 3,125,156</u>	<u>\$ 3,074,056</u>	<u>\$ 51,100</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff - law enforcement	\$ 3,126,797	\$ 3,147,201	\$ 3,112,769	\$ 34,432
Dispatcher/E911	766,827	771,827	774,210	(2,383)
Total law enforcement and traffic control	<u>\$ 3,893,624</u>	<u>\$ 3,919,028</u>	<u>\$ 3,886,979</u>	<u>\$ 32,049</u>
Fire and rescue services:				
Volunteer fire departments	\$ 355,000	\$ 363,290	\$ 354,254	\$ 9,036
Ambulance and rescue services	242,201	242,201	236,721	5,480
Total fire and rescue services	<u>\$ 597,201</u>	<u>\$ 605,491</u>	<u>\$ 590,975</u>	<u>\$ 14,516</u>

County of Wise, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2015

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Southwest Virginia Regional Jail	\$ 3,041,990	\$ 3,041,990	\$ 2,588,022	\$ 453,968
Pre-trial services	800,000	818,400	820,440	(2,040)
SWVA Community Corrections Center	599,911	641,146	636,472	4,674
Total correction and detention	<u>\$ 4,441,901</u>	<u>\$ 4,501,536</u>	<u>\$ 4,044,934</u>	<u>\$ 456,602</u>
Inspections:				
Building inspector	\$ 280,611	\$ 280,611	\$ 273,472	\$ 7,139
Other protection:				
Animal control	\$ 246,817	\$ 270,817	\$ 235,523	\$ 35,294
Emergency services	142,977	665,977	443,664	222,313
Total other protection	<u>\$ 389,794</u>	<u>\$ 936,794</u>	<u>\$ 679,187</u>	<u>\$ 257,607</u>
Total public safety	<u>\$ 9,603,131</u>	<u>\$ 10,243,460</u>	<u>\$ 9,475,547</u>	<u>\$ 767,913</u>
Public works:				
Maintenance of general buildings and grounds:				
General properties	\$ 982,325	\$ 1,064,940	\$ 994,441	\$ 70,499
Total public works	<u>\$ 982,325</u>	<u>\$ 1,064,940</u>	<u>\$ 994,441</u>	<u>\$ 70,499</u>
Health and welfare:				
Health:				
Local health department	\$ 514,595	\$ 514,595	\$ 490,421	\$ 24,174
Mental health and mental retardation:				
Mental health	\$ 150,500	\$ 150,500	\$ 150,500	-
Welfare:				
Welfare administration	\$ 7,414,435	\$ 7,414,435	\$ 7,429,623	\$ (15,188)
Property tax relief	-	377,517	377,517	-
Comprehensive Services Act	1,559,673	2,489,084	2,473,770	15,314
Youth Service Board	84,300	84,300	83,800	500
Agency on Aging	23,750	23,750	23,750	-
Total welfare	<u>\$ 9,082,158</u>	<u>\$ 10,389,086</u>	<u>\$ 10,388,460</u>	<u>\$ 626</u>
Total health and welfare	<u>\$ 9,747,253</u>	<u>\$ 11,054,181</u>	<u>\$ 11,029,381</u>	<u>\$ 24,800</u>
Education:				
Other instructional costs:				
Contribution to School Board	\$ 14,908,886	\$ 14,908,886	\$ 15,089,355	\$ (180,469)
Contribution to Community College	53,458	53,458	53,458	-
Total education	<u>\$ 14,962,344</u>	<u>\$ 14,962,344</u>	<u>\$ 15,142,813</u>	<u>\$ (180,469)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation Authority	\$ 66,500	\$ 66,500	\$ 51,749	\$ 14,751

County of Wise, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2015

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural: (Continued)				
Cultural enrichment:				
Cultural organizations	\$ 105,935	\$ 105,935	\$ 79,060	\$ 26,875
Library:				
Regional library	\$ 783,019	\$ 783,019	\$ 781,683	\$ 1,336
Total parks, recreation, and cultural	\$ 955,454	\$ 955,454	\$ 912,492	\$ 42,962
Community development:				
Planning and community development:				
Economic development	\$ 307,369	\$ 307,369	\$ 107,396	\$ 199,973
Community development	99,751	99,751	216,236	(116,485)
Contribution to Housing Authority	23,750	23,750	23,750	-
Contribution to Cumberland Airport Commission	110,000	110,000	110,000	-
Contribution to Lenowisco	66,684	66,684	66,684	-
Planning Commission	8,250	8,250	6,650	1,600
Community Project- Transient Occupancy	31,000	31,000	83,162	(52,162)
Software Engineering Initiative	20,000	20,000	7,407	12,593
Technology Initiative	20,000	20,000	3,200	16,800
Contribution to Industrial Development Authority	1,708,998	1,662,998	935,375	727,623
Total planning and community development	\$ 2,395,802	\$ 2,349,802	\$ 1,559,860	\$ 789,942
Cooperative extension program:				
Virginia Tech Extension Office	\$ 95,830	\$ 111,132	\$ 108,496	\$ 2,636
Total community development	\$ 2,491,632	\$ 2,460,934	\$ 1,668,356	\$ 792,578
Nondepartmental:				
Nondepartmental	\$ 48,260	\$ 48,260	\$ 57,579	\$ (9,319)
Debt service:				
Principal retirement	\$ 918,745	\$ 918,745	\$ 442,672	\$ 476,073
Interest and other fiscal charges	124,203	124,203	124,204	(1)
Total debt service	\$ 1,042,948	\$ 1,042,948	\$ 566,876	\$ 476,072
Total General Fund	\$ 46,405,178	\$ 48,518,327	\$ 46,207,305	\$ 2,311,022
Special Revenue Funds:				
Coal Road Improvement Fund:				
Public Works:				
Maintenance of Highways, Streets, Bridges, and Sidewalks:				
Coal road projects	\$ 130,000	\$ 130,000	\$ 1,082,842	\$ (952,842)
Community Development:				
Planning and community development:				
Distribution to Towns	\$ 480,000	\$ 480,000	\$ 349,945	\$ 130,055
Community development	1,790,000	1,790,000	767,952	1,022,048
Total planning and community development	\$ 2,270,000	\$ 2,270,000	\$ 1,117,897	\$ 1,152,103
Total community development	\$ 2,270,000	\$ 2,270,000	\$ 1,117,897	\$ 1,152,103
Total Industrial Development Fund	\$ 2,400,000	\$ 2,400,000	\$ 2,200,739	\$ 199,261

County of Wise, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2015

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Nonmajor Special Revenue Funds:				
Wise Development Fund:				
Community Development:				
Planning and community development:				
Community project	\$ 645,235	\$ 1,029,785	\$ 896,268	\$ 133,517
Total Workforce Investment Act Fund	\$ 645,235	\$ 1,029,785	\$ 896,268	\$ 133,517
Forfeited Assets Fund:				
Public safety:				
Law enforcement and traffic control:				
Sheriff - law enforcement	\$ -	\$ 125,450	\$ 101,137	\$ 24,313
Total Forfeited Asset Fund	\$ -	\$ 125,450	\$ 101,137	\$ 24,313
Nonmajor Capital Projects Funds:				
School Capital Improvements Fund:				
Capital Projects:				
Capital projects:				
Wise Inn Restoration & Redevelopment	\$ -	\$ -	\$ 158,819	\$ (158,819)
Stephens South River Project	-	-	873,612	(873,612)
Total capital projects	\$ -	\$ -	\$ 1,032,431	\$ (1,032,431)
Total Capital Projects Fund	\$ -	\$ -	\$ 1,032,431	\$ (1,032,431)
Total Primary Government	\$ 49,450,413	\$ 52,073,562	\$ 50,437,880	\$ 1,635,682
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 2,004,600	\$ 2,004,600	\$ 1,732,353	\$ 272,247
Instruction costs:				
Instructional costs	\$ 44,697,400	\$ 44,697,400	\$ 43,680,052	\$ 1,017,348
Technology	1,775,800	1,775,800	1,965,176	(189,376)
Total instruction costs	\$ 46,473,200	\$ 46,473,200	\$ 45,645,228	\$ 827,972
Operating costs:				
Pupil transportation	\$ 3,207,223	\$ 3,207,223	\$ 2,803,617	\$ 403,606
Operation and maintenance of school plant	4,957,616	4,957,616	4,881,674	75,942
Total operating costs	\$ 8,164,839	\$ 8,164,839	\$ 7,685,291	\$ 479,548
Total education	\$ 56,642,639	\$ 56,642,639	\$ 55,062,872	\$ 1,579,767
Debt service:				
Principal retirement	\$ 612,673	\$ 612,673	\$ 612,673	-
Interest and other fiscal charges	2,044,288	2,044,288	2,306,837	(262,549)
Total debt service	\$ 2,656,961	\$ 2,656,961	\$ 2,919,510	\$ (262,549)
Total School Operating Fund	\$ 59,299,600	\$ 59,299,600	\$ 57,982,382	\$ 1,317,218

County of Wise, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2015

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board (Continued)				
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 2,980,000	\$ 2,980,000	\$ 2,599,374	\$ 380,626
Total education	\$ 2,980,000	\$ 2,980,000	\$ 2,599,374	\$ 380,626
Total School Cafeteria Fund	\$ 2,980,000	\$ 2,980,000	\$ 2,599,374	\$ 380,626
School Capital Projects Fund:				
Capital projects:				
School improvements	\$ 2,500,000	\$ 2,500,000	\$ 3,333,887	\$ (833,887)
Total School Capital Projects Fund	\$ 2,500,000	\$ 2,500,000	\$ 3,333,887	\$ (833,887)
Total Discretely Presented Component Unit - School Board	\$ 64,779,600	\$ 64,779,600	\$ 63,915,643	\$ 863,957

OTHER STATISTICAL INFORMATION

Table 1

County of Wise, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Landfill	Sewer	Total
2014-15	\$ 2,751,264	\$ 2,865,850	\$ 10,012,966	\$ 2,124,587	\$ 10,827,245	\$ 13,878,690	\$ 958,043	\$ 4,693,677	\$ 2,317,504	\$ 3,730,221	\$ 583,948	\$ 54,743,995
2013-14	3,000,826	2,769,871	9,700,296	2,619,880	10,961,298	18,185,662	1,024,785	4,455,867	793,150	3,998,594	597,251	58,107,480
2012-13	2,513,670	2,917,968	9,558,466	1,379,473	13,967,744	17,014,461	1,050,295	7,652,569	723,949	3,856,656	299,792	60,935,043
2011-12	3,189,330	2,955,941	8,033,901	1,380,443	14,372,186	16,628,227	1,030,994	10,917,533	183,724	3,856,963	277,990	62,827,232
2010-11	3,374,197	2,716,081	8,250,120	968,626	13,988,102	15,496,497	938,174	14,042,957	196,450	4,305,943	366,436	64,643,583
2009-10	3,228,759	2,721,904	7,782,248	1,120,083	13,776,969	14,945,799	936,592	7,418,010	58,824	4,823,735	352,225	57,165,148
2008-09	3,735,285	2,633,756	7,408,890	1,063,159	13,845,186	15,078,593	921,759	7,246,421	62,256	4,657,337	567,182	57,219,824
2007-08	3,271,588	2,491,772	7,205,889	973,753	13,103,609	15,407,654	899,183	6,964,606	67,832	4,447,213	166,225	54,999,324
2006-07	2,843,960	2,389,172	6,110,425	986,551	12,413,144	16,265,619	914,103	7,022,690	74,937	4,405,274	246,149	53,672,024
2005-06	2,587,838	2,037,382	6,271,360	1,003,217	17,487,249	14,576,164	873,474	770,050	73,068	3,298,428	200,525	49,178,755

Table 2

County of Wise, Virginia
Government-Wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs			
2014-15	\$ 601,008	\$ 14,144,688	\$ 28,854,059	\$ 6,883,053	\$ 128,728	\$ 223,044	\$ 2,714,740	\$ 53,549,320			
2013-14	1,239,369	14,643,641	27,604,620	8,173,503	194,916	171,736	2,749,240	54,777,025			
2012-13	1,114,258	13,711,562	25,491,426	10,143,685	356,140	171,280	6,167,096	57,155,447			
2011-12	1,182,154	13,268,121	26,638,980	16,737,347	423,101	633,049	7,215,291	66,098,043			
2010-11	1,143,986	15,764,232	23,473,279	18,476,831	686,825	754,500	6,176,531	66,476,184			
2009-10	1,147,645	15,426,236	19,130,788	15,925,898	429,080	451,750	6,247,142	58,758,539			
2008-09	972,339	13,557,097	18,084,464	19,044,322	1,028,585	530,020	5,421,662	58,638,489			
2007-08	972,725	16,183,816	17,728,354	17,560,087	1,028,395	377,854	2,028,743	55,879,974			
2006-07	744,391	15,969,200	17,519,214	16,155,686	1,226,208	588,011	2,444,722	54,647,432			
2005-06	680,470	15,307,748	17,012,052	17,173,168	935,909	442,866	1,959,588	53,511,801			

County of Wise, Virginia
 General Governmental Expenditures by Function (1)
 Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Capital Projects	Non-departmental	Debt Service	Total
2014-15	\$ 3,285,764	\$ 3,074,056	\$ 9,576,684	\$ 2,077,283	\$ 11,029,381	\$ 57,715,704	\$ 912,492	\$ 3,682,521	\$ -	\$ 57,579	\$ 3,486,386	\$ 94,897,850
2013-14	3,081,896	2,940,326	9,426,268	2,519,806	10,837,444	80,413,534	990,679	4,439,420	3,888	-	19,059,349	133,712,610
2012-13	3,085,457	2,879,973	9,419,726	3,269,650	13,910,634	63,144,019	1,017,808	7,033,875	27,096	-	19,732,283	123,520,521
2011-12	3,049,267	2,958,240	8,224,502	1,593,160	14,389,802	68,732,735	1,003,598	10,912,901	67,857	-	687,471	111,619,533
2010-11	3,279,988	2,715,362	8,220,283	852,349	13,994,945	63,341,364	895,284	14,043,807	75,140	-	737,911	108,156,433
2009-10	2,991,817	2,669,072	7,530,719	1,841,285	13,879,772	70,492,718	894,648	7,439,329	268,434	-	479,134	108,486,928
2008-09	2,974,848	2,598,386	7,246,622	1,628,213	13,999,745	72,029,937	879,848	7,079,993	624,294	-	522,233	109,584,119
2007-08	2,792,431	2,465,396	6,994,029	958,550	13,081,322	67,708,437	857,272	6,802,797	243,705	-	483,216	102,387,155
2006-07	2,609,378	2,460,677	6,768,362	920,170	18,156,152	63,335,751	872,192	532,441	255,603	-	502,768	96,413,494
2005-06	2,435,632	2,033,252	6,352,758	831,729	17,571,446	62,147,587	829,339	547,097	104,517	-	580,878	93,434,235

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit-School Board. Excludes Capital Projects fund.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

County of Wise, Virginia
General Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2014-15	\$ 28,731,239	\$ 6,883,053	\$ 35,717	\$ 51,141	\$ 126,847	\$ 1,079,470	\$ 2,363,457	\$ 3,113,965	\$ 59,886,528	\$ 102,271,417
2013-14	27,259,792	8,173,503	52,913	106,243	237,308	1,357,273	819,939	478,379	61,156,088	99,641,438
2012-13	24,182,703	10,143,685	34,091	116,480	372,688	1,299,770	488,317	816,163	64,383,078	101,836,975
2011-12	25,862,730	16,753,643	58,453	66,934	444,372	1,708,891	1,046,635	312,202	65,331,850	111,585,710
2010-11	21,869,359	18,427,933	55,621	29,023	724,632	1,485,405	689,093	417,114	67,340,209	111,038,389
2009-10	18,726,850	15,906,381	50,992	35,352	472,975	1,629,097	1,274,689	390,135	75,652,751	114,139,222
2008-09	18,116,122	18,924,049	69,524	40,603	1,075,909	1,357,206	2,175,678	682,036	65,414,555	107,855,682
2007-08	17,916,509	17,164,312	54,549	66,143	1,113,532	1,414,365	1,350,269	455,399	67,460,360	106,995,438
2006-07	17,004,359	16,201,166	51,681	69,353	1,299,948	1,291,195	530,450	502,072	64,898,363	101,848,587
2005-06	17,145,306	17,184,970	80,303	77,620	1,025,314	1,196,407	662,857	402,123	61,841,782	99,616,682

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit-School Board. Excludes Capital Projects fund.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

Table 5

County of Wise, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years (3)

Fiscal Year	Total Tax Levy (1,2)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections (2)	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1), (4)	Percent of Delinquent Taxes to Tax Levy
2014-15	\$ 29,575,091	\$ 28,696,533	97.03%	\$ 925,793	\$ 29,622,326	100.16%	\$ 3,196,436	10.81%
2013-14	27,668,374	26,671,809	96.40%	203,205	26,875,014	97.13%	3,125,435	11.30%
2012-13	25,969,822	25,101,645	96.66%	357,581	25,459,226	98.03%	2,604,089	10.03%
2011-12	25,696,491	24,973,016	97.18%	421,499	25,394,515	98.82%	-	0.00%
2010-11	20,644,079	19,660,958	95.24%	507,100	20,168,058	97.69%	-	0.00%
2009-10	19,861,934	18,777,570	94.54%	751,303	19,528,873	98.32%	-	0.00%
2008-09	18,782,322	18,013,570	95.91%	675,283	18,688,853	99.50%	-	0.00%

(1) Exclusive of penalties and interest.

(2) Includes amount received under the Personal Property Tax Relief Act.

(3) Only 7 years available.

(4) Only 3 years available.

County of Wise, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property	Machinery and Tools	Merchant's Capital	Mobile Homes	Public Service (2)	Total
2014-15	\$ 1,882,864,270	\$ 427,550,149	\$ 184,405,660	\$ 34,551,733	\$ 33,849,030	\$ 1,358,254,710	\$ 3,921,475,552
2013-14	1,947,361,669	400,495,555	244,969,850	34,979,151	40,491,360	1,430,798,105	4,099,095,690
2012-13	2,035,910,348	416,493,632	279,241,765	35,960,355	40,456,220	582,525,325	3,390,587,645
2011-12	1,783,287,784	414,733,423	305,819,130	35,346,281	41,181,520	590,253,866	3,170,622,004
2010-11	1,741,463,965	370,590,217	257,961,483	32,586,054	39,163,119	112,093,168	2,553,858,006
2009-10	1,610,887,320	358,482,416	259,709,887	32,705,319	44,779,700	81,741,495	2,388,306,137
2008-09	1,569,201,913	344,388,992	289,224,955	29,678,518	43,365,050	77,578,527	2,353,437,955
2007-08	1,498,797,637	342,140,366	281,527,290	31,157,558	43,613,739	76,274,148	2,273,510,738
2006-07	1,498,797,637	342,140,366	281,527,290	31,157,558	43,613,739	76,274,148	2,273,510,738
2005-06	1,449,470,035	409,631,850	239,769,025	27,021,861	39,975,359	97,856,875	2,263,725,005

(1) Real estate is assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission-includes all property types.

Table 7

County of Wise, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery & Tools	Merchant's Capital	Mobile Homes
2014-15	\$ 0.60	\$ 1.56	\$ 1.41	\$ 2.85	0.60
2013-14	0.60	1.56	1.41	2.85	0.60
2012-13	0.57	1.49	1.41	2.85	0.57
2011-12	0.57	1.49	1.41	2.85	0.57
2010-11	0.57	1.49	1.15	2.85	0.57
2009-10	0.57	1.49	1.15	2.85	0.57
2008-09	0.57	1.49	1.15	2.85	0.57
2007-08	0.57	1.49	1.15	2.85	0.57
2006-07	0.57	1.49	1.15	2.85	0.57
2005-06	0.57	1.49	1.15	2.85	0.57

(1) Per \$100 of assessed value.

Table 8

County of Wise, Virginia
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross Bonded Debt (3)	Less:	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Service Monies Available			
2014-15	41,452	\$ 4,099,096	\$ 72,009,743	\$ (4,596,644)	76,606,387	1.87%	\$ 1,848
2013-14	41,452	3,390,588	75,113,615	(4,549,862)	70,563,753	2.08%	1,702
2012-13	41,452	3,390,588	76,546,570	-	76,546,570	2.26%	1,847
2011-12	41,452	3,170,622	74,397,155	-	74,397,155	2.35%	1,795
2010-11	41,452	2,553,858	15,605,695	-	15,605,695	0.61%	376
2009-10	42,209	2,388,306	16,595,724	-	16,595,724	0.69%	393
2008-09	42,209	2,353,438	14,674,156	-	14,674,156	0.62%	348
2007-08	42,209	2,273,511	15,044,133	-	15,044,133	0.66%	356
2006-07	42,209	2,273,511	10,474,695	-	10,474,695	0.46%	248
2005-06	42,209	2,263,725	11,840,249	-	11,840,249	0.52%	281

(1) Bureau of the Census.

(2) Real property assessed at 100% of fair market value.

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans.

Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

Table 9

County of Wise, Virginia
Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures (1)
Last Ten Fiscal Years

Fiscal Year	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2014-15	\$ 3,486,386	\$ 94,897,850	3.67%
2013-14 (2)	4,359,349	133,712,610	3.26%
2012-13 (2)	5,732,283	123,520,521	4.64%
2011-12	687,471	111,619,533	0.62%
2010-11	737,911	108,156,433	0.68%
2009-10	479,134	108,486,928	0.44%
2008-09	522,233	109,584,119	0.48%
2007-08	483,216	102,387,155	0.47%
2006-07	502,768	96,413,494	0.52%
2005-06	580,878	93,434,235	0.62%

(1) Includes all governmental funds of the Primary Government and Special Revenue funds of the Discretely Presented Component Unit-School Board.

(2) Excludes refunding debt service.

Table 10

County of Wise, Virginia
Schedule of Legal Debt Margin
For the Fiscal Year Ended June 30, 2015

Legal Debt Limit		
10% of Assessed Value of Taxable Real Estate (Including public utility real estate)	\$	324,068,778
Less: Net bonded debt		<u>(76,606,387)</u>
Legal margin for creation of additional debt	\$	247,462,391

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Supervisors
County of Wise, Virginia
Wise, Virginia

We have audited, in accordance with the 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 the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit-School Board, each major fund, and the aggregate remaining fund information of the County of Wise, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County of Wise, Virginia's basic financial statements, and have issued our report thereon dated February 12, 2016. Our report includes a reference to other auditors who audited the financial statements of Wise County Service Authority and Wise County Industrial Development Authority, as described in our report on the County of Wise, Virginia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Wise, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of Wise, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Wise, Virginia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Faimer, Co. Associates

Blacksburg, Virginia
February 12, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Supervisors
County of Wise, Virginia, Virginia
Wise, Virginia

Report on Compliance for Each Major Federal Program

We have audited County of Wise, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Wise, Virginia's major federal programs for the year ended June 30, 2015. County of Wise, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of County of Wise, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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 we 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 County of Wise, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of County of Wise, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Wise, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of County of Wise, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Wise, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Wise, Virginia's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Turner, Cox Associates

Blacksburg, Virginia
February 12, 2016

County of Wise, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2015

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950113, 0950114	\$ 32,604
Temporary Assistance for Needy Families	93.558	0400114, 0400115	750,459
Refugee and Entrant Assistance - State Administered Programs	93.566	0500114, 0500115	1,050
Low-Income Home Energy Assistance	93.568	0600414, 0600415	74,155
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760114, 0760115	103,298
Chafee Education and Training Vouchers Program	93.599	9160114, 9160115	9,795
Adoption and Legal Guardianship Incentive Payments	93.603	1130113	2,979
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900114, 0900115	4,803
Foster Care - Title IV-E	93.658	1100114, 1100115	514,483
Adoption Assistance	93.659	1120114, 1120115	625,178
Social Services Block Grant	93.667	1000114, 1000115	585,948
Chafee Foster Care Independence Program	93.674	9150114, 9150115	21,355
Children's Health Insurance Program	93.767	0540114, 0540115	20,260
Medical Assistance Program	93.778	1200114, 1200115	<u>687,219</u>
Total Department of Health and Human Services			<u>\$ 3,433,586</u>
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Virginia Department of Agriculture & Consumer Services:			
Food Distribution-Schools (Note C)	10.555	Not available	\$ 148,339
Department of Education:			
National School Lunch Program	10.555	40623	1,136,759
National School Lunch Program Subtotal	10.555		<u>\$ 1,285,098</u>
School Breakfast Program	10.553	40591	378,078
Fresh Fruit and Vegetable Program	10.582	43071	19,065
Schools and Roads Program - Grants to States	10.665	43841	<u>51,011</u>
Department of Social Services:			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	0010114, 0010115, 0030114, 0030115, 0040114, 0040115, 0050114, 0050115	\$ 591,390
Total Department of Agriculture			<u>\$ 2,324,642</u>
National Aeronautics and Space Administration:			
Direct payments:			
NASA - Wise County DEVELOP (Science)	43.001	Not applicable	<u>\$ 468,933</u>
Department of Housing and Urban Development:			
Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	50790	<u>\$ 525,945</u>

County of Wise, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2015

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Direct payments:			
Equitable Sharing Program	16.922	Not applicable	\$ 4,021
Pass Through Payments:			
Department of Criminal Justice Services:			
Violence Against Women Formula Grants	16.588	14WFAX0038 13WFAX0043	\$ 24,950
Crime Victim Assistance	16.575	14VAGX0051 13VAGX0025	<u>56,950</u>
Total Department of Justice			<u>\$ 85,921</u>
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	154AL-2015-55318-6057 154AL-2014-54282-5530	<u>\$ 9,024</u>
Department of Education:			
Pass Through Payments:			
Department of Education:			
Adult Education - Basic Grants to States	84.002	42801	\$ 294,935
Title I Grants to Local Educational Agencies	84.010	42901	1,919,732
Special Education Cluster:			
Special Education: Grants to States	84.027	43071	1,160,454
Special Education: Preschool Grants	84.173	62521	27,211
Career and Technical Education Basic Grants to States	84.048	61095, 61159	123,848
Education for Homeless Children and Youth	84.196	60180	7,140
Rural Education	84.358	43481	85,115
Improving Teacher Quality State Grants	84.367	61480	<u>650,636</u>
Total Department of Education			<u>\$ 4,269,071</u>
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
State Homeland Security Program	97.073	62704	\$ 14,245
Emergency Management Performance Grants	97.042	52743	5,424
Homeland Security Grant Program	97.067	52703	<u>18,344</u>
Total Department of Homeland Security			<u>\$ 38,013</u>
Total Expenditures of Federal Awards			<u><u>\$ 11,155,135</u></u>

County of Wise, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2015

Notes to the Expenditures of Federal Awards

Note A -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Wise County, Virginia under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Wise, Virginia, it is not intended to and does not present the financial position, changes in nets position, or cash flows of the County of Wise, Virginia.

Note B -- Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note C -- Food Donation:

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, The Wise County School Board had food commodities totaling \$0 in inventory.

Note D -- Relationship to Financial Statements:

Federal expenditures, revenues, and capital contributions are reported in the County's basic financial statements as follows:

Primary government:	
General Fund	\$ 4,186,528
Wise Development Fund	468,933
Forfeited Assets Fund	4,021
Capital Projects Fund	525,945
Less: Payment in lieu of taxes	<u>(32,615)</u>
Total primary government:	<u>\$ 5,152,812</u>
Component Unit School Board:	
School Operating Fund	\$ 4,965,238
School Cafeteria Fund	1,682,241
Less: AFROTC	(54,193)
Less: QSCB interest subsidy	<u>(590,963)</u>
Total component unit school board:	<u>\$ 6,002,323</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 11,155,135</u></u>

County of Wise, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:
Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs: Unmodified

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

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
43.001	NASA - Wise County DEVELOP (Science)
84.010	Title I - Grants to Local Education Agencies
84.173/84.027	Special Education Program - Cluster
93.658	Foster Care - Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.778	Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs \$334,654

Auditee qualified as low-risk auditee? No

Section II - Financial Statement Findings

There are no reported financial statement findings.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings or questioned costs.

Section IV - Status of Prior Audit Findings and Questioned Costs

There were no prior year audit findings related to federal programs.

Wise County Board of Supervisors
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