

County of Wise, Virginia

Comprehensive Annual Financial Report



For the Fiscal Year Ended
June 30, 2016

COUNTY OF WISE, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

**COUNTY OF WISE, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

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INTRODUCTORY SECTION



Office of County Administrator

COURTHOUSE

WISE, VIRGINIA 24293

TELEPHONE 276-328-2321
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P.O. BOX 570
206 E. MAIN STREET

CAFR- LETTER OF TRANSMITTAL

February 21, 2017

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, 2016. 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, 2016 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 well above the national average but we have recently added some new facilities and there appears to be a slight uptrend in the coal and gas markets.

MAJOR INITIATIVES

For Fiscal Year 2016

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 placed 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 provided coal severance funds to secure expansion of State Route 757 into a 3 lane road to facilitate development in that area. Construction began in Fiscal 2016 and is ongoing. 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.
- 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.
- The Wise County Industrial Development Authority and Frontier Secure announced that a facility will be located in the Technology Park in Wise, VA. The facility was opened in August 2016 starting with 50 jobs but projected to add 50 positions a month for a total of 500 jobs. This economic development project was made possible by VCEDA and Tobacco Commission.

- The Wise County Industrial Development Authority and DP Facilities, Inc. announced in November 2015 that a 65,000 sq.ft. data center known as Mineral Gap would be built in the Wise County Technology Park. The facility opened in the Fall of 2016. This data center is a Tier III center and will accommodate a variety of tenants for their critical data backup needs. There will be approximately 30 full-time jobs at the facility. This project was made possible by VCEDA and the Virginia Tobacco Commission.

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 approximately 50 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.
- Wise County is working diligently acquire additional economic development projects. Hopes are to attract companies in the areas of aerial unmanned vehicles, additional data centers, and other companies to further diversify our economy. The coal and gas markets have slightly increased and there is hope for an upward trend that may bring some jobs and revenue back to Wise County.
- 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.
- 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 2016-2017 Fiscal Year, the Board of Supervisors approved a General Fund Operating Budget of \$48,869,009.

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 \$140,264. This is a decrease from interest and dividends earned on temporary investments in Fiscal Year 2014-2015 when the interest on investments totaled \$97,565.

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's

Uniform Guidance, 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

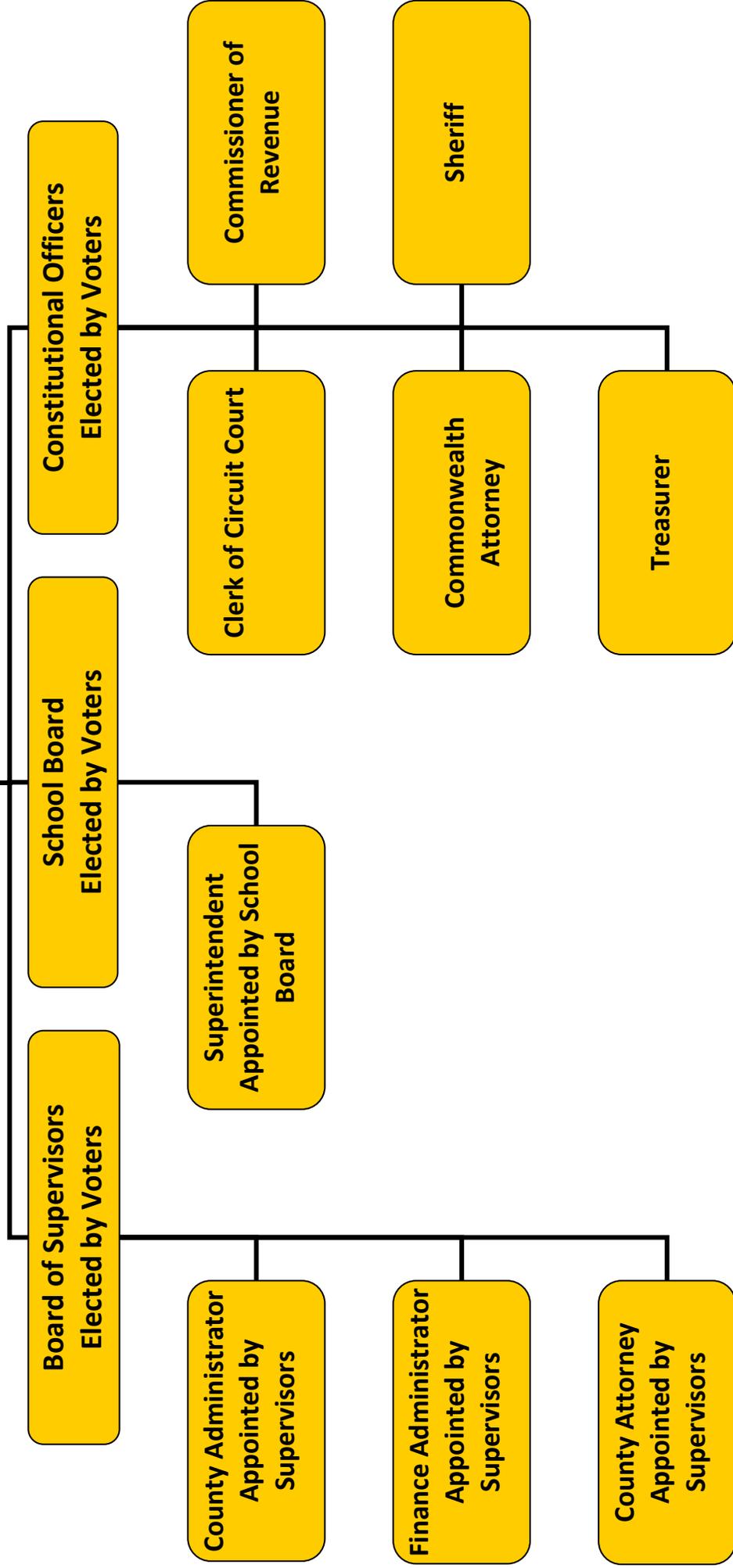
I would also like to thank the Board of Supervisors for their interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "David L. Cox".

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
-------------------------------------------------	--------------------------------------------------------------------	----------------------------------------------------

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
---------------------------------------------------------	---------------------------------------------------------------	----------------------------------------------------------

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 Court Chadwick Dotson
Judge of the Circuit Court Tammy McElvea
Chief Judge of the District Court Larry Lewis
Judge of the District Court Clarence "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

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Members of
the Board of Supervisors
County of 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 the County of Wise, Virginia, as of and for the year ended June 30, 2016, 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 Public Service Authority (PSA) or the Industrial Development Authority (IDA), which represent 36.16% and 34.40% of the total assets of the discretely presented component units, respectively. Those 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 PSA and IDA, 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 auditors' 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.

Emphasis of Matter

As reported in Note 19 to the financial statements, the County has historically relied on coal and other related taxes to support operations. These taxes have decreased significantly in recent periods as the demand for and selling prices of these products has decreased significantly. Our opinion is not modified in with respect to this matter.

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, 2016, 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 21 to the financial statements, in 2016, the County adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 79 Certain External Investment Pools and Pool Participants, 82 Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73. 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, 92-93, and 94-98 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Other Information (continued)

The other supplementary information and the 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 other auditors, the other supplementary information and the 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 10, 2017, 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 the County of Wise, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
February 10, 2017

February 15, 2017

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, 2016. 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 \$18,725,464 (net position). Of this amount, \$9,814,070 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year; the County's funds reported combined ending fund balances of \$25,522,915, an increase of \$4,822,819 in comparison with the prior year. Approximately 71% of this total amount, \$18,192,464 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 \$18,192,464, or 41.2% of total general fund expenditures.

The County of Wise, Virginia's total governmental activity debt decreased by \$509,972 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 \$370,000.

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 are composed of 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 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 statements 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 \$18,725,464 at the close of the most recent fiscal year.

A portion of the County's net position (36.2%) 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>2015*</u>	<u>2016</u>
Current and other assets	\$ 51,218,943	\$ 53,091,313
Capital assets	<u>87,136,796</u>	<u>84,501,822</u>
Total assets	<u>\$ 138,355,739</u>	<u>\$ 137,593,135</u>
Deferred outflows of resources	<u>\$ 1,069,766</u>	<u>\$ 1,198,762</u>
Long-term liabilities outstanding	\$ 97,181,044	\$ 96,196,660
Current liabilities	<u>4,573,413</u>	<u>4,442,355</u>
Total liabilities	<u>\$101,754,457</u>	<u>\$100,639,015</u>
Deferred inflows of resources	<u>\$ 24,741,812</u>	<u>\$ 19,427,418</u>
Net Investment in Capital Assets	\$8,066,234	\$ 6,783,482
Restricted- Capital Projects	162,859	178,950
Restricted- Debt Service	---	---
Restricted -Other Purposes	2,556,367	1,948,962
Unrestricted	<u>2,143,776</u>	<u>9,814,070</u>
Total Net Position	<u>\$12,929,236</u>	<u>\$18,725,464</u>

*Amounts presented reflect restatement

At the end of the current fiscal year, the County is able to report positive net position, 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 increased the County's net position by \$5,796,228.

Key elements of this increase are as follows:

County of Wise, Virginia's Change in Net Position		
	<u>Primary Governmental Activities and Business-Type Activities</u>	
	<u>2015*</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 601,008	\$ 619,667
Operating grants and contributions	14,289,609	14,811,290
General Revenues:		
Property taxes	\$ 28,854,059	\$ 32,254,084
Other Local taxes	6,883,053	5,570,865
Grants & Contributions	2,685,644	2,690,261
Other	351,772	652,766
Total revenues	<u>\$ 53,665,145</u>	<u>\$ 56,598,933</u>
Expenses		
General government	\$ 2,751,264	\$ 2,860,095
Judicial administration	2,865,850	2,610,691
Public safety	10,012,966	9,786,433
Public works	2,124,587	1,312,160
Health and welfare	11,026,689	10,168,893
Education	13,878,690	12,576,685
Parks, recreation and culture	958,043	960,030
Community development	4,293,677	3,653,709
Interest	2,317,504	2,527,285
Business-type activities	4,314,169	4,346,724
Total expenses	<u>\$ 54,543,439</u>	<u>\$ 50,802,705</u>
Increase (decrease) in Net Position	\$ (878,294)	\$ 5,796,228
Net Position - beginning	13,807,530	12,929,236
Net Position - ending	<u>\$ 12,929,236</u>	<u>\$ 18,725,464</u>

*Amounts presented reflect restatement

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 \$25,522,915 an increase of \$4,822,819. Approximately 71% of this total amount, \$18,192,464, 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 \$18,192,464, while the total fund balance was \$23,407,284. 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 and capital project funds have a total fund balance of \$1,936,681, all of which is restricted or committed for future projects. The fund balance decreased \$598,435 during the current year.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$593,885 (increase in appropriations) and can be briefly summarized as follows:

- \$8,053 increase in general government administration
- \$22,500 increase in judicial administration
- \$504,722 increase in public safety expenditures
- \$38,930 increase in public work expenditures
- \$9,630 increase in health and welfare expenditures
- \$10,000 increase in community development

This increase was primarily due to additional funds being received for insurance recoveries related to February-March 2015 snowstorm.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental activities as of June 30, 2016 amounts to \$ 72,753,545 (net of accumulated depreciation). The County's investment in capital assets for its business-type activities as of June 30, 2016 amounts to \$ 11,748,277 (net of accumulated depreciation). This investment in capital assets includes land, buildings and equipment.

Change in Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Land	\$ 2,150,643	\$ 2,150,643	\$ 314,816	\$ 314,816
Construction in Progress	-	-	-	21,837
Buildings and infrastructure	87,724,428	87,737,843	16,196,419	16,316,119
Equipment	6,269,750	6,352,347	5,260,761	5,328,424
Total Capital Assets	\$ 96,144,821	\$ 96,240,833	\$ 21,771,996	\$ 21,981,196
Less: Accumulated Depreciation	\$ (21,386,897)	\$ (23,487,288)	\$ (9,393,124)	\$ (10,232,919)
Net Capital Assets	\$ 74,757,924	\$ 72,753,545	\$ 12,378,872	\$ 11,748,277

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

Long-term obligations - At the end of the current fiscal year, the County had total governmental activity obligations of \$81,857,222, including claims, judgments, pension liabilities, OPEB liabilities, and compensated absences of \$10,326,632. The County had total business-type activity obligations outstanding of \$16,524,260, including claims, judgments, pension liabilities, OPEB liabilities, and compensated absences of \$10,707,726.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Bonds	\$ 67,496,845	\$ 67,260,959	\$ 5,983,110	\$ 5,477,918
Capital Leases	4,670,683	4,269,631	520,153	338,616
Net Pension Liability	8,802,445	8,802,482	890,810	635,654
Net OPEB Obligation	547,701	616,529	75,749	60,576
Landfill Closure/Post Closure Liability	-	-	9,432,736	9,898,319
Compensated Absences	849,520	907,621	111,179	113,177
Total Long-term Obligations	\$ 82,367,194	\$ 81,857,222	\$ 17,013,737	\$ 16,524,260

Of the total governmental and business-type obligations, \$72,738,877 comprises debt backed by the full faith and credit of the County.

During the current fiscal year, the County's total primary government long-term obligations decreased by \$999,449. This is primarily due to principal payments.

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

Economic Factors

The unemployment rate is one of the factors considered in preparing the County's budget for the 2017 fiscal year. The September 2016 unemployment rate for the County is 7.9 percent, which is an increase from the rate of 7.6 percent in 2015. This is higher than the state's unemployment rate of 4.0 percent and is above the national average rate of 4.9 percent as of September 2016.

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

Budget and Rates

The approved budget is \$48,869,009 for fiscal year 2016-2017. The tax rates for the 2016-2017 year are as follows: .60 per \$100 value for real estate, mobile home taxes, and public utilities real estate, 1.56 per \$100 of assessed value for personal property and public service personal property, 2.85 per \$100 of assessed value for merchants capital, and 1.41 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, 2016

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	Public Service Authority	Industrial Development Authority
ASSETS						
Cash and cash equivalents	\$ 13,971,556	\$ 12,331	\$ 13,983,887	\$ 2,430,266	\$ 551,920	\$ 1,893,420
Investments	9,724,642	9,674	9,734,316	32,116	-	-
Receivables (net of allowance for uncollectibles):						
Taxes receivable	19,196,817	-	19,196,817	-	-	-
Other local taxes receivable	201,907	-	201,907	-	-	-
Accounts receivable	109,159	90,754	199,913	56,359	404,490	2,511,284
Notes receivable	225,000	-	225,000	-	40,466	3,917,193
Interest receivable	-	-	-	-	3,193	25,283
Due from component unit	730,686	-	730,686	-	-	-
Due from other governmental units	2,854,096	-	2,854,096	1,520,722	35,206	-
Internal balances	212,898	(212,898)	-	-	-	-
Prepaid items	107,424	-	107,424	180,513	-	-
Restricted assets:						
Cash and cash equivalents	-	-	-	-	1,732,836	47,179
Investments	-	5,376,017	5,376,017	-	-	900,000
Interest receivable	-	-	-	-	-	296
Property	-	-	-	-	-	179,514
Net pension asset	-	-	-	-	161,930	-
Other assets (net of amortization)	-	481,250	481,250	-	-	-
Capital assets (net of accumulated depreciation):						
Land	2,150,643	314,816	2,465,459	2,018,463	202,881	3,078,149
Buildings and improvements	69,551,120	-	69,551,120	29,673,643	39,781,059	28,208,328
Machinery and equipment	1,051,782	1,042,163	2,093,945	1,664,241	360,199	119,355
Infrastructure	-	10,369,461	10,369,461	-	-	-
Construction in progress	-	21,837	21,837	-	2,874,500	3,033,476
Total assets	\$ 120,087,730	\$ 17,505,405	\$ 137,593,135	\$ 37,576,323	\$ 46,148,680	\$ 43,913,477
DEFERRED OUTFLOWS OF RESOURCES						
Items related to measurement of net pension liability	\$ 126,388	\$ -	\$ 126,388	\$ 864,000	\$ -	\$ -
Pension contributions subsequent to measurement date	1,004,146	68,228	1,072,374	4,208,376	77,368	-
Total deferred outflows of resources	\$ 1,130,534	\$ 68,228	\$ 1,198,762	\$ 5,072,376	\$ 77,368	\$ -
LIABILITIES						
Accounts payable	\$ 746,545	\$ 186,602	\$ 933,147	\$ 1,032,044	\$ 461,889	\$ 2,383,153
Salaries payable	319,225	376	319,601	-	56,516	-
Customer deposits	-	-	-	-	393,520	-
Accrued interest payable	769,112	54,313	823,425	-	7,846	11,103
Due to primary government	-	-	-	730,686	-	-
Unearned revenue	181,360	-	181,360	-	-	-
Long-term liabilities:						
Due within one year	1,488,361	696,461	2,184,822	483,714	1,753,946	-
Due in more than one year	80,368,861	15,827,799	96,196,660	55,362,219	4,506,370	11,383,969
Total liabilities	\$ 83,873,464	\$ 16,765,551	\$ 100,639,015	\$ 57,608,663	\$ 7,180,087	\$ 13,778,225
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue - property taxes	\$ 16,731,551	\$ -	\$ 16,731,551	\$ -	\$ -	\$ -
Deferred charge on refunding	371,216	-	371,216	-	-	-
Items related to measurement of net pension liability	1,948,862	375,789	2,324,651	6,044,322	119,866	-
Total deferred inflows of resources	\$ 19,051,629	\$ 375,789	\$ 19,427,418	\$ 6,044,322	\$ 119,866	\$ -
NET POSITION						
Net investment in capital assets	\$ 851,739	\$ 5,931,743	\$ 6,783,482	\$ 32,753,809	\$ 37,034,361	\$ 29,483,816
Restricted:						
Construction	178,950	-	178,950	197,844	-	-
Wise Development funds	15,805	-	15,805	-	-	-
Asset forfeiture funds	104,649	-	104,649	-	-	-
Law library funds	12,281	-	12,281	-	-	-
Coal road funds	1,816,227	-	1,816,227	-	1,224,739	-
Dominion replacement funds	-	-	-	-	102,612	-
Community development	-	-	-	-	-	1,126,989
Textbooks	-	-	-	433,330	-	-
Health Insurance	-	-	-	48,126	-	-
School Cafeteria	-	-	-	1,689,771	-	-
Unrestricted	15,313,520	(5,499,450)	9,814,070	(56,127,166)	564,383	(475,553)
Total net position	\$ 18,293,171	\$ 432,293	\$ 18,725,464	\$ (21,004,286)	\$ 38,926,095	\$ 30,135,252

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, 2016

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	School Board	Public Service Authority	Industrial Development Authority				
PRIMARY GOVERNMENT:													
General government administration	\$ 2,860,095	\$ -	\$ 400,622	\$ -	\$ (2,459,473)	\$ -	\$ (2,459,473)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Judicial administration	2,610,691	10,967	1,244,063	-	(1,355,661)	-	(1,355,661)	-	-	-	-	-	-
Public safety	9,786,433	144,871	4,156,658	-	(5,484,904)	-	(5,484,904)	-	-	-	-	-	-
Public works	1,312,160	11,417	-	-	(1,300,743)	-	(1,300,743)	-	-	-	-	-	-
Health and welfare	10,168,893	-	7,933,678	-	(2,235,215)	-	(2,235,215)	-	-	-	-	-	-
Education	12,576,685	-	-	-	(12,576,685)	-	(12,576,685)	-	-	-	-	-	-
Parks, recreation, and cultural	960,030	14,746	5,000	-	(940,284)	-	(940,284)	-	-	-	-	-	-
Community development	3,653,709	-	1,057,147	-	(2,596,562)	-	(2,596,562)	-	-	-	-	-	-
Interest on long-term debt	2,527,285	-	-	-	(2,527,285)	-	(2,527,285)	-	-	-	-	-	-
Total governmental activities	\$ 46,455,981	\$ 182,001	\$ 14,797,168	\$ -	\$ (31,476,812)	\$ -	\$ (31,476,812)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities:													
Landfill	\$ 3,691,980	\$ 437,666	\$ 14,122	\$ -	\$ (3,240,192)	\$ (3,240,192)	\$ (3,240,192)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer	654,744	-	-	-	(654,744)	(654,744)	(654,744)	-	-	-	-	-	-
Total business-type activities	\$ 4,346,724	\$ 437,666	\$ 14,122	\$ -	\$ (3,894,936)	\$ (3,894,936)	\$ (3,894,936)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total primary government	\$ 50,802,705	\$ 619,667	\$ 14,811,290	\$ -	\$ (31,476,812)	\$ (3,894,936)	\$ (35,371,748)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
COMPONENT UNITS:													
School Board	\$ 54,530,112	\$ 1,489,944	\$ 43,727,354	\$ -	\$ -	\$ (9,312,814)	\$ (9,312,814)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Service Authority	3,959,584	2,682,315	166,775	541,206	-	-	-	(569,288)	-	-	-	-	-
Industrial Development Authority	3,042,569	-	3,289,900	-	-	-	-	-	-	-	-	-	-
Total component units	\$ 61,532,265	\$ 4,172,259	\$ 47,184,029	\$ 541,206	\$ -	\$ (9,312,814)	\$ (9,312,814)	\$ (569,288)	\$ -	\$ (569,288)	\$ -	\$ 247,331	\$ 247,331
General revenues:													
General property taxes					\$ 32,254,084	\$ -	\$ 32,254,084	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other local taxes:													
Local sales and use taxes					2,682,417	-	2,682,417	-	-	-	-	-	-
Coal severance taxes					2,010,661	-	2,010,661	-	-	-	-	-	-
Consumers utility taxes					476,396	-	476,396	-	-	-	-	-	-
Other local taxes					401,391	-	401,391	-	-	-	-	-	-
Unrestricted revenues from use of money and property					113,568	44,029	157,597	25,149	7,338	228,807	1,062,939	-	-
Miscellaneous					471,127	24,042	495,169	81,047	144,420	-	-	-	-
Payments from the County of Wise					2,690,261	-	2,690,261	-	-	-	-	-	-
Grants and contributions not restricted to specific programs					(3,847,065)	3,847,065	-	-	-	-	-	-	8,116
Gain (loss) on disposal of capital assets					37,252,840	3,915,136	41,167,976	8,903,901	151,758	1,295,862	-	-	-
Transfers					5,776,028	20,200	5,796,228	(408,913)	(417,530)	1,547,193	-	-	-
Total general revenues and transfers					12,517,143	412,093	12,929,236	(20,595,373)	39,343,625	28,586,059	-	-	-
Change in net position					18,293,171	432,293	18,725,464	(21,004,286)	38,926,095	30,135,252	-	-	-
Net position - beginning, as restated													
Net position - ending													

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

County of Wise, Virginia
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Coal Road Improvement Fund	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 11,725,479	\$ 1,757,483	\$ 488,594	\$ 13,971,556
Investments	9,714,084	10,558	-	9,724,642
Receivables (net of allowance for uncollectibles):				
Taxes receivable	19,196,817	-	-	19,196,817
Other local taxes receivable	201,907	-	-	201,907
Accounts receivable	48,397	60,762	-	109,159
Notes receivable	225,000	-	-	225,000
Due from other funds	213,298	79,437	-	292,735
Due from component unit	730,686	-	-	730,686
Due from other governmental units	2,854,096	-	-	2,854,096
Prepaid items	107,424	-	-	107,424
Total assets	<u>\$ 45,017,188</u>	<u>\$ 1,908,240</u>	<u>\$ 488,594</u>	<u>\$ 47,414,022</u>
LIABILITIES				
Liabilities:				
Accounts payable	\$ 647,102	\$ 92,013	\$ 7,430	\$ 746,545
Salaries payable	319,225	-	-	319,225
Unearned revenue	-	-	181,360	181,360
Due to other funds	79,437	-	400	79,837
Total liabilities	<u>\$ 1,045,764</u>	<u>\$ 92,013</u>	<u>\$ 189,190</u>	<u>\$ 1,326,967</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	<u>\$ 20,564,140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,564,140</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	\$ 107,424	\$ -	\$ -	\$ 107,424
Restricted:				
Construction Fund	-	-	178,950	178,950
Coal Road Improvement Fund	-	1,816,227	-	1,816,227
Asset Forfeiture Fund	-	-	104,649	104,649
Wise Development Fund	-	-	15,805	15,805
Law Library Fund	12,281	-	-	12,281
Committed:				
Debt Service	4,549,862	-	-	4,549,862
Assigned:				
Drug Court Fund	14,500	-	-	14,500
IT Fund	16,512	-	-	16,512
Software Engineering Fund	74,347	-	-	74,347
Dog and Cat Sterilization Fund	3,817	-	-	3,817
Transient Occupancy Fund	218,003	-	-	218,003
Supervisor Fees - SWVCC Fund	170,527	-	-	170,527
E-Summons Fund	47,547	-	-	47,547
Unassigned	18,192,464	-	-	18,192,464
Total fund balances	<u>\$ 23,407,284</u>	<u>\$ 1,816,227</u>	<u>\$ 299,404</u>	<u>\$ 25,522,915</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 45,017,188</u>	<u>\$ 1,908,240</u>	<u>\$ 488,594</u>	<u>\$ 47,414,022</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, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 25,522,915
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	69,551,120	
Machinery and equipment	<u>1,051,782</u>	72,753,545
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue - property taxes	\$ 3,832,589	
Items related to measurement of net pension liability	<u>(1,948,862)</u>	1,883,727
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.		
		1,004,146
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	\$ (51,528,003)	
Lease revenue notes	(14,800,000)	
Capital leases	(4,269,631)	
Unamortized premiums	(932,956)	
Deferred charges on refundings	(371,216)	
Accrued interest payable	(769,112)	
Net OPEB obligation	(616,529)	
Net pension liability	(8,802,482)	
Deferred outflows - items related to measurement of net pension liability	126,388	
Compensated absences	<u>(907,621)</u>	<u>(82,871,162)</u>
Net position of governmental activities		<u>\$ 18,293,171</u>

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, 2016

	General Fund	Coal Road Improvement Fund	Nonmajor Governmental Funds	Total
REVENUES				
General property taxes	\$ 30,520,943	\$ -	\$ -	\$ 30,520,943
Other local taxes	4,628,457	942,408	-	5,570,865
Permits, privilege fees, and regulatory licenses	67,852	-	-	67,852
Fines and forfeitures	40,777	-	4,275	45,052
Revenue from the use of money and property	105,507	8,061	-	113,568
Charges for services	69,097	-	-	69,097
Miscellaneous	350,077	-	121,050	471,127
Recovered costs	1,147,703	-	-	1,147,703
Intergovernmental:	16,430,282	-	1,057,147	17,487,429
Total revenues	<u>\$ 53,360,695</u>	<u>\$ 950,469</u>	<u>\$ 1,182,472</u>	<u>\$ 55,493,636</u>
EXPENDITURES				
Current:				
General government administration	\$ 3,146,419	\$ -	\$ -	\$ 3,146,419
Judicial administration	3,019,965	-	-	3,019,965
Public safety	9,765,808	-	111,450	9,877,258
Public works	800,505	254,829	-	1,055,334
Health and welfare	10,569,884	-	-	10,569,884
Education	13,993,745	-	-	13,993,745
Parks, recreation, and cultural	914,479	-	-	914,479
Community development	1,325,033	1,279,540	898,507	3,503,080
Nondepartmental	60,434	-	-	60,434
Capital projects	-	-	166,560	166,560
Debt service:				
Principal retirement	401,052	-	-	401,052
Bond issuance costs	88,945	-	-	88,945
Interest and other fiscal charges	115,542	-	-	115,542
Total expenditures	<u>\$ 44,201,811</u>	<u>\$ 1,534,369</u>	<u>\$ 1,176,517</u>	<u>\$ 46,912,697</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 9,158,884</u>	<u>\$ (583,900)</u>	<u>\$ 5,955</u>	<u>\$ 8,580,939</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 4,999	\$ -	\$ 600	\$ 5,599
Transfers out	(3,847,665)	-	(4,999)	(3,852,664)
Issuance of refunding bond	14,800,000	-	-	14,800,000
Payment to refunded bond escrow agent	(14,711,055)	-	-	(14,711,055)
Total other financing sources (uses)	<u>\$ (3,753,721)</u>	<u>\$ -</u>	<u>\$ (4,399)</u>	<u>\$ (3,758,120)</u>
Net change in fund balances	\$ 5,405,163	\$ (583,900)	\$ 1,556	\$ 4,822,819
Fund balances - beginning, as restated	18,002,121	2,400,127	297,848	20,700,096
Fund balances - ending	<u>\$ 23,407,284</u>	<u>\$ 1,816,227</u>	<u>\$ 299,404</u>	<u>\$ 25,522,915</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, 2016

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

Net change in fund balances - total governmental funds \$ 4,822,819

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	\$ 157,892	
Depreciation expense	<u>(2,121,886)</u>	(1,963,994)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (40,385)

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

Property taxes	\$ 1,733,141	
Change in deferred inflows of resources related to the measurement of the net pension liability	<u>480,440</u>	2,213,581

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.

Debt Issued or Incurred:		
Proceeds from issuance of lease revenue bonds	\$ (14,800,000)	
Principal Payments		
Bonds	14,986,052	
Capital leases	<u>370,000</u>	556,052

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	\$ (58,101)	
Change in accrued interest payable	46,401	
Change in net OPEB obligation	(68,828)	
Change in net pension liability	(37)	
Change in deferred outflows of resources related to pensions	159,079	
Amortization of bond premium	118,683	
Amortization of bond discount	(37,797)	
Amortization of charges on refunding	<u>28,555</u>	187,955

Change in net position of governmental activities \$ 5,776,028

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, 2016

	Enterprise Funds		Total
	Landfill Fund	Sewer Fund	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,115	\$ 5,216	\$ 12,331
Investments	9,674	-	9,674
Investments - restricted	5,376,017	-	5,376,017
Accounts receivables, net of allowances for uncollectibles	90,754	-	90,754
Total current assets	<u>\$ 5,483,560</u>	<u>\$ 5,216</u>	<u>\$ 5,488,776</u>
Noncurrent assets:			
Other assets (net of amortization)	\$ -	\$ 481,250	\$ 481,250
Capital assets: (net of related depreciation)			
Land	\$ 314,816	\$ -	\$ 314,816
Machinery and equipment	1,042,163	-	1,042,163
Infrastructure	10,149,741	219,720	10,369,461
Construction in progress	21,837	-	21,837
Total capital assets	<u>\$ 11,528,557</u>	<u>\$ 219,720</u>	<u>\$ 11,748,277</u>
Total noncurrent assets	<u>\$ 11,528,557</u>	<u>\$ 700,970</u>	<u>\$ 12,229,527</u>
Total assets	<u>\$ 17,012,117</u>	<u>\$ 706,186</u>	<u>\$ 17,718,303</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	\$ 68,228	\$ -	\$ 68,228
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 115,132	\$ 71,470	\$ 186,602
Accrued salaries	376	-	376
Due to other funds	-	212,898	212,898
Interest payable	54,313	-	54,313
Compensated absences - current portion	84,883	-	84,883
Bonds payable - current portion	516,469	-	516,469
Leases and other obligations - current portion	95,109	-	95,109
Total current liabilities	<u>\$ 866,282</u>	<u>\$ 284,368</u>	<u>\$ 1,150,650</u>
Noncurrent liabilities:			
Landfill closure/postclosure liability	\$ 9,898,319	\$ -	\$ 9,898,319
Bonds payable - net of current portion	4,961,449	-	4,961,449
Leases and other obligations - net of current portion	243,507	-	243,507
Net OPEB obligation	60,576	-	60,576
Compensated absences	28,294	-	28,294
Net pension liability	635,654	-	635,654
Total noncurrent liabilities	<u>\$ 15,827,799</u>	<u>\$ -</u>	<u>\$ 15,827,799</u>
Total liabilities	<u>\$ 16,694,081</u>	<u>\$ 284,368</u>	<u>\$ 16,978,449</u>
DEFERRED INFLOWS OF RESOURCES			
Items related to measurement of net pension liability	\$ 375,789	\$ -	\$ 375,789
NET POSITION			
Net investment in capital assets	\$ 5,712,023	\$ 219,720	\$ 5,931,743
Unrestricted	(5,701,548)	202,098	(5,499,450)
Total net position	<u>\$ 10,475</u>	<u>\$ 421,818</u>	<u>\$ 432,293</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, 2016

	Enterprise Funds		<u>Total</u>
	<u>Landfill Fund</u>	<u>Sewer Fund</u>	
OPERATING REVENUES			
Charges for services:			
Solid waste collections	\$ 437,666	\$ -	\$ 437,666
Miscellaneous	4,703	19,339	24,042
Total operating revenues	<u>\$ 442,369</u>	<u>\$ 19,339</u>	<u>\$ 461,708</u>
OPERATING EXPENSES			
Salaries and fringes	\$ 1,352,750	\$ -	\$ 1,352,750
Professional services	163,431	4,175	167,606
Repairs and maintenance	183,459	-	183,459
Operating materials and supplies	20,974	-	20,974
Vehicle supplies and fuel	339,208	-	339,208
Utilities	90,129	-	90,129
Office and insurance expenses	18,517	-	18,517
Improvements and closure costs	465,583	-	465,583
Miscellaneous	35,155	-	35,155
Sewer operation costs	-	623,086	623,086
Depreciation and amortization	888,399	27,483	915,882
Total operating expenses	<u>\$ 3,557,605</u>	<u>\$ 654,744</u>	<u>\$ 4,212,349</u>
Change in Net Position	<u>\$ (3,115,236)</u>	<u>\$ (635,405)</u>	<u>\$ (3,750,641)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	\$ 44,029	\$ -	\$ 44,029
Grants	14,122	-	14,122
Interest expense	(134,375)	-	(134,375)
Total nonoperating revenues (expenses)	<u>\$ (76,224)</u>	<u>\$ -</u>	<u>\$ (76,224)</u>
Income (loss) before transfers	<u>\$ (3,191,460)</u>	<u>\$ (635,405)</u>	<u>\$ (3,826,865)</u>
Transfers in	3,307,065	540,000	3,847,065
Change in Net Position	<u>\$ 115,605</u>	<u>\$ (95,405)</u>	<u>\$ 20,200</u>
Total net position - beginning	<u>\$ (105,130)</u>	<u>\$ 517,223</u>	<u>\$ 412,093</u>
Total net position - ending	<u>\$ 10,475</u>	<u>\$ 421,818</u>	<u>\$ 432,293</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, 2016

	Enterprise Funds		Total
	Landfill Fund	Sewer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 441,178	\$ 19,339	\$ 460,517
Payments to suppliers	(904,772)	(556,691)	(1,461,463)
Payments to employees	(1,461,378)	-	(1,461,378)
Net cash provided by (used for) operating activities	<u>\$ (1,924,972)</u>	<u>\$ (537,352)</u>	<u>\$ (2,462,324)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	\$ 3,307,065	\$ 540,000	\$ 3,847,065
Grants	14,122	-	14,122
Net cash provided by (used for) noncapital financing activities	<u>3,321,187</u>	<u>540,000</u>	<u>3,861,187</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of utility plant	\$ (271,537)	\$ -	\$ (271,537)
Principal payments on bonds and capital leases	(686,729)	-	(686,729)
Interest expense	(127,413)	-	(127,413)
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,085,679)</u>	<u>\$ -</u>	<u>\$ (1,085,679)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	\$ 44,029	\$ -	\$ 44,029
Net increase (decrease) in cash and cash equivalents	\$ 354,565	\$ 2,648	\$ 357,213
Cash and cash equivalents - beginning (including \$4,731,762 investments and restricted invest.)	5,038,241	2,568	5,040,809
Cash and cash equivalents - ending (including \$5,385,691 investments and restricted invest.)	<u>\$ 5,392,806</u>	<u>\$ 5,216</u>	<u>\$ 5,398,022</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (3,115,236)	\$ (635,405)	\$ (3,750,641)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	\$ 888,399	\$ 27,483	\$ 915,882
(Increase) decrease in accounts receivable	(1,191)	-	(1,191)
(Increase) decrease in pension contributions subsequent to measurement date	30,083	-	30,083
Increase (decrease) in accrued salaries	(323)	-	(323)
Increase (decrease) in closure/postclosure liability	465,583	-	465,583
Increase (decrease) in accounts payable	(53,899)	70,570	16,671
Increase (decrease) in compensated absences	1,998	-	1,998
Increase (decrease) in net OPEB obligation	(15,173)	-	(15,173)
Increase (decrease) in net pension liability	(255,156)	-	(255,156)
Increase (decrease) items related to measurement of net pension liability	129,943	-	129,943
Total adjustments	<u>\$ 1,190,264</u>	<u>\$ 98,053</u>	<u>\$ 1,288,317</u>
Net cash provided by (used for) operating activities	<u>\$ (1,924,972)</u>	<u>\$ (537,352)</u>	<u>\$ (2,462,324)</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, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 174,771
LIABILITIES	
Amounts held for social services clients	\$ 105,854
Amounts held for other governments	46,774
Amounts held for youth services	22,143
Total liabilities	\$ 174,771

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, 2016

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, 2016, the County paid \$2,730,512 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, 2016, the County paid \$422,245 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, 2016, the County provided an appropriation to the Board of \$160,130.
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, 2016, the County provided an appropriation to the Library of \$781,554.
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, 2016, the County provided an appropriation to the Office of \$23,750. 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, 2016, the County provided an appropriation to the Airport of \$116,000.

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

A. Financial Reporting Entity (continued)

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, 2016, the County provided an appropriation to LENOWISCO of \$66,684.

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*.

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

B. Government-wide and Fund Financial Statements (continued)

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.

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.

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

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

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.

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.

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

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

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.

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 Projects 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.

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

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

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.

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").

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at the time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

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.

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

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

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 \$665,016 at June 30, 2016 and is comprised solely of property taxes.

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 acquisition 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 2016.

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

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

9. Capital Assets (continued)

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

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 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.

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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 (continued)

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.

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.

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

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

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.

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.

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

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

14. Fund Equity (continued)

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.

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.
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.

A. Excess of expenditures over appropriations

At June 30, 2016, no departments had expenditures in excess of its appropriations.

B. Deficit fund equity

At June 30, 2016, 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.

At June 30, 2016, 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 Primary Government’s and the Component Unit - School Board’s deposit and investment balances were as follows:

County's Rated Debt Investments' Values			
Rated Debt Investments	Unrated	Fair Quality Rating	
		Aaf/S1	AAAm
Primary Government:			
Demand and time deposits	\$ 10,697,994	\$ -	\$ -
VML/VACO Pool	-	5,376,017	-
Virginia LGIP	-	-	30,560
Virginia SNAP fund	-	-	9,521
Total Primary Government	\$ 10,697,994	\$ 5,376,017	\$ 40,081
Component Unit - School Board:			
Virginia LGIP	\$ -	\$ -	\$ 31,476

Note 3-Deposits and Investments: (continued)

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission. In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. On October 3, 2016, the Prime Series became a government money market fund and the name was changed to Government Select Series. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U.S. government securities (including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully.

The value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP and SNAP are amortized cost basis portfolios under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

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, 2016.

Investment Type	Investment Maturities (in years)	
	Fair Value	Less than 1 Year
Primary Government:		
Demand and time deposits	\$ 10,697,994	\$ 10,697,994
VML/VACO Pool	5,376,017	5,376,017
Virginia LGIP	30,560	30,560
Virginia SNAP fund	9,521	9,521
Total Primary Government	<u>\$ 16,114,092</u>	<u>\$ 16,114,092</u>
Component Unit - School Board:		
Virginia LGIP	<u>\$ 31,476</u>	<u>\$ 31,476</u>

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

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>Local Governments:</u>		
City of Norton-shared expenses reimbursement	\$ 229,690	\$ -
SWVA Regional Jail-shared expenses reimbursement	674,553	-
<u>Commonwealth of Virginia:</u>		
Communications Tax	158,699	-
Local sales tax	476,464	-
Non-categorical aid	174,877	-
Categorical aid-State sales tax	-	454,133
Categorical aid-Shared expenses	311,372	-
Categorical aid-Virginia Public Assistance funds	208,287	-
Categorical aid-Other	45,366	-
Categorical aid-Comprehensive Services Act funds	244,236	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance funds	310,765	-
Categorical aid-Other	19,787	1,066,589
Total Amount Due from Other Governmental Units	<u>\$ 2,854,096</u>	<u>\$ 1,520,722</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>
<u>Primary Government:</u>		
General Fund	<u>\$ -</u>	<u>\$ 730,686</u>
<u>Component Unit - School Board</u>		
School Operating Fund	<u>\$ 730,686</u>	<u>\$ -</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

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

Interfund balances for the year ended June 30, 2016, consisted of the following:

Fund	Due To	Due From
Primary Government:		
<i>Major Governmental Funds:</i>		
General Fund	\$ 79,437	\$ 213,298
Coal Road Fund	-	79,437
<i>Nonmajor Governmental Funds:</i>		
Capital Projects Fund	400	-
<i>Enterprise Funds:</i>		
Sewer Fund	212,898	-
Total Primary Government	\$ 292,735	\$ 292,735
Component Unit - School Board:		
<i>Major Governmental Funds:</i>		
School Operating Fund	\$ 2,500	\$ -
<i>Internal Service Fund:</i>		
Self-Insurance Fund	-	2,500
Total Component Unit - School Board	\$ 2,500	\$ 2,500

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.

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

Interfund transfers for the year ended June 30, 2016, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
<i>Major Governmental Funds:</i>		
General Fund	\$ 4,999	\$ 3,847,665
<i>Nonmajor Governmental Funds:</i>		
Forfeited Assets Fund	600	4,999
<i>Enterprise Funds:</i>		
Sewer Fund	540,000	-
Landfill Fund	3,307,065	-
Total Primary Government	\$ 3,852,664	\$ 3,852,664
Component Unit - School Board:		
<i>Major Governmental Funds:</i>		
School Operating Fund	\$ -	\$ 14,924
School Cafeteria Fund	14,924	-
Total Component Unit - School Board	\$ 14,924	\$ 14,924

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

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, 2016:

	Balance July 1, 2015	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2016
General Obligation Bonds	\$ 51,859,055	\$ -	(331,052)	\$ 51,528,003
Bond Premium	1,051,639	-	(118,683)	932,956
Lease Revenue Bonds	14,655,000	14,800,000	(14,655,000)	14,800,000
Bond Discount	(37,797)	-	37,797	-
Capital Leases	4,639,631	-	(370,000)	4,269,631
Net Pension Liability	8,802,445	4,506,100	(4,506,063)	8,802,482
Net OPEB Obligation	547,701	134,201	(65,373)	616,529
Compensated Absences	849,520	270,481	(212,380)	907,621
Total	\$ 82,367,194	\$ 19,710,782	\$ (20,220,754)	\$ 81,857,222

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

Year Ending June 30,	General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 300,000	\$ 2,172,750	\$ -	\$ 252,340
2018	1,200,000	2,172,750	-	325,600
2019	1,200,000	2,172,750	-	325,600
2020	1,880,000	2,155,580	14,800,000	325,600
2021	2,020,000	2,117,705	-	-
2022-2026	13,977,243	9,494,345	-	-
2027-2031	15,920,760	7,155,260	-	-
2032-2036	12,275,000	2,080,146	-	-
2037	2,755,000	53,576	-	-
Totals	\$ 51,528,003	\$ 29,574,862	\$ 14,800,000	\$ 1,229,140

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 6-Long-Term Obligations: (continued)

Primary Government - Governmental Activities Indebtedness: (continued)

Details of long-term indebtedness:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Installment Amounts</u>	<u>Amount of Original Issue</u>	<u>Balance Governmental Activities</u>	<u>Amount Due Within One Year</u>
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	13,800,000	300,000
Total GO Bonds						<u>\$ 51,528,003</u>	<u>\$ 300,000</u>
Lease Revenue Notes:							
Revenue bond - Public facilities	2.20%	4/22/2016	2/1/2020	\$162,800 sa	\$ 14,800,000	<u>\$ 14,800,000</u>	<u>\$ -</u>
Deferred amounts:							
Plus: Unamortized Premium							
\$29,265,000 VPSA GO bond						\$ 383,868	\$ 52,475
\$13,910,000 Refunding bond						<u>549,088</u>	<u>68,327</u>
Total deferred amounts						<u>\$ 932,956</u>	<u>\$ 120,802</u>
Other Obligations:							
Capital Leases (Note 8)						\$ 4,269,631	\$ 386,843
Net Pension Liability						8,802,482	-
Net OPEB Obligation						616,529	-
Compensated Absences						907,621	680,716
Total Other Obligations						<u>\$ 14,596,263</u>	<u>\$ 1,067,559</u>
Total Long-Term Obligations						<u>\$ 81,857,222</u>	<u>\$ 1,488,361</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, 2016

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, 2016:

	Balance July 1, 2015	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2016
General Obligation Bonds	\$ 5,400,000	\$ -	\$ (420,000)	\$ 4,980,000
Bond Premiums	583,110	-	(85,192)	497,918
Capital Leases	520,153	-	(181,537)	338,616
Landfill Closure/ Postclosure Liability	9,432,736	465,583	-	9,898,319
Net Pension Liability	890,810	313,230	(568,386)	635,654
Net OPEB Obligation	75,749	8,922	(24,095)	60,576
Compensated Absences	111,179	29,793	(27,795)	113,177
Total	\$ 17,013,737	\$ 817,528	\$ (1,307,005)	\$ 16,524,260

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2017	\$ 435,000	\$ 209,575
2018	455,000	190,470
2019	475,000	168,499
2020	500,000	145,789
2021	525,000	122,508
2022-2026	1,960,000	321,547
2027-2028	630,000	28,506
Totals	\$ 4,980,000	\$ 1,186,894

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COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

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	\$ 3,075,000	\$ 200,000
VRA general obligation bond - landfill	3.28%	5/25/2010	10/1/2022	\$230,000 - \$310,000 a+	2,985,000	1,905,000	235,000
Total GO Bonds						<u>\$ 4,980,000</u>	<u>\$ 435,000</u>
Deferred amounts:							
Plus: Unamortized Premium							
\$3,450,000 VRA GO bond						\$ 401,895	\$ 56,638
\$2,985,000 VRA GO bond						96,023	24,831
Total deferred amounts						<u>\$ 497,918</u>	<u>\$ 81,469</u>
Other Obligations:							
Capital Leases (Note 8)						\$ 338,616	\$ 95,109
Landfill Closure/Postclosure Liability						9,898,319	-
Net Pension Liability						635,654	-
Net OPEB Obligation						60,576	-
Compensated Absences						113,177	84,883
Total Other Obligations						<u>\$ 11,046,342</u>	<u>\$ 179,992</u>
Total Long-Term Obligations						<u>\$ 16,524,260</u>	<u>\$ 696,461</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, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance
Net pension liability	\$ 52,630,365	\$ 12,419,636	\$ (12,554,538)	\$ 52,495,463
Net OPEB obligation	2,037,926	703,645	(370,698)	2,370,873
Capital leases	925,246	-	(322,708)	602,538
Compensated absences	293,706	303,632	(220,280)	377,059
Total	<u>\$ 55,887,243</u>	<u>\$ 13,426,913</u>	<u>\$ (13,468,224)</u>	<u>\$ 55,845,933</u>

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

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	\$ 52,495,463	\$ -
Net OPEB obligation	2,370,873	-
Capital leases (Note 8)	602,538	200,920
Compensated absences	<u>377,059</u>	<u>282,794</u>
 Total Long-Term Obligations	 <u>\$ 55,845,933</u>	 <u>\$ 483,714</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 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, 2016:

	<u>Lease Obligation</u>			<u>Net Asset Value</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Wise County Justice Center, 2.63%, \$32,389.74 monthly payment, including interest maturity date Feb 12, 2028	\$ 3,917,193	\$ -	\$ 3,917,193	\$ 4,656,412	\$ -	\$ 4,656,412
Various Capital Equipment, 1.36%, \$16,857.66 monthly payment including interest, maturity date Dec 21, 2020	352,438	338,616	691,054	360,554	355,475	716,029
Total Capital Leases	<u>\$ 4,269,631</u>	<u>\$ 338,616</u>	<u>\$ 4,608,247</u>	<u>\$ 5,016,966</u>	<u>\$ 355,475</u>	<u>\$ 5,372,441</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

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, 2016, were as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	Total
	IDA	US Bank	US Bank	
2017	\$ 388,620	\$ 103,171	\$ 99,125	\$ 590,916
2018	388,620	103,171	99,125	590,916
2019	388,620	103,171	99,125	590,916
2020	388,620	51,585	49,563	489,768
2021	388,620	-	-	388,620
2022-2026	1,943,100	-	-	1,943,100
2027-2028	680,085	-	-	680,085
Subtotal	\$4,566,285	\$ 361,098	\$ 346,938	\$5,274,321
Less, amount representing interest	(649,092)	(8,660)	(8,322)	(666,074)
Present Value of Lease Agreement	<u>\$3,917,193</u>	<u>\$ 352,438</u>	<u>\$ 338,616</u>	<u>\$4,608,247</u>

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 capital leases as of June 30, 2016:

	Lease Obligation	Net Asset Value
Energy building renovations, 4.00%, \$8,456.75 monthly payment including interest, maturity date June 20, 2020	\$ 374,540	\$ -
School buses, 1.98%, \$117,377.02 annual payment including interest, maturity date Aug. 16, 2017	227,998	364,448
Total Capital Leases	<u>\$ 602,538</u>	<u>\$ 364,448</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

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, 2016, were as follows:

Year Ending June 30,	Component Unit -School Board		
	Energy Renovations	School Buses	Total
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	\$ 405,924	\$ 234,754	\$ 640,678
Less, amount representing interest	(31,384)	(6,756)	(38,140)
Present Value of Lease Agreement	\$ 374,540	\$ 227,998	\$ 602,538

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

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. However, several entities whose financial information is not included in the primary government report participate in the VRS plan through Wise County and the participating entities report their proportionate information on the basis of a cost-sharing plan.

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).

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.

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"> • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<p>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>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.

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.) 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. 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.) The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. 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>

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>

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 <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>

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

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>

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/2015-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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.

The County's contractually required contribution rate for the year ended June 30, 2016 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 \$1,072,374 and \$1,069,766 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

At June 30, 2016, the County reported a liability of \$9,438,136 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015. In order to allocate the net pension liability to all employers included in the plan, the County is required to determine its proportionate share of the net pension liability. Creditable compensation as of June 30, 2015 and 2014 was used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2015 and 2014, the County's proportion was 99.2317% and 100.0000%, respectively.

Note 9—Pension Plan: (continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Wise County’s Retirement Plan and the Wise County Public Schools Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, 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: 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

Note 9—Pension Plan: (continued)

Actuarial Assumptions - General Employees (continued)

The actuarial assumptions used in the June 30, 2014 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 Wise County's Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, 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.

Note 9—Pension Plan: (continued)

Actuarial Assumptions - Public Safety Employees (continued)

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, 2014 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

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

Note 9—Pension Plan: (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:

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%.

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 Wise County Retirement Plan, Wise County Public Schools Retirement Plan, and 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, 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.

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

The following presents the County’s proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the County’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		
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
County's proportionate share of the County Retirement Plan Net Pension Liability (Asset)	\$ 16,395,110	\$ 9,438,136	\$ 3,672,226

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

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, 2016, the County recognized pension expense of \$337,762. Since there was a change in proportionate share between measurement dates, 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, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 952,900
Changes in proportion and differences between employer contributions and proportionate share of contributions	126,388	182,243
Net difference between projected and actual earnings on pension plan investments	-	1,189,508
Employer contributions subsequent to the measurement date	1,072,374	-
Total	\$ 1,198,762	\$ 2,324,651

\$1,072,374 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government
2017	\$ (836,119)
2018	(836,119)
2019	(730,239)
2020	204,214
Thereafter	-

Note 9—Pension Plan: (continued)

Payables to the Pension Plan

Component Unit School Board (nonprofessional)

Plan Description

Additional information related to the plan description, plan contribution requirements, actuarial assumptions, long-term expected rate of return, and discount rate is included in the first section of this note.

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Component Unit School Board <u>Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	189
Inactive members:	
Vested inactive members	11
Non-vested inactive members	26
Inactive members active elsewhere in VRS	<u>25</u>
Total inactive members	62
Active members	<u>68</u>
Total covered employees	<u><u>319</u></u>

Contributions

The Component Unit School Board’s contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 9—Pension Plan: (continued)

Component Unit School Board (nonprofessional) (continued)

Contributions (continued)

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 Component Unit School Board’s nonprofessional employees were \$264,897 and \$272,831 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The Component Unit School Board’s (nonprofessional) net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Changes in Net Pension Liability

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 12,634,935	\$ 8,775,570	\$ 3,859,365
Changes for the year:			
Service cost	\$ 158,445	\$ -	\$ 158,445
Interest	854,409	-	854,409
Differences between expected and actual experience	(46,397)	-	(46,397)
Contributions - employer	-	272,831	(272,831)
Contributions - employee	-	83,286	(83,286)
Net investment income	-	385,024	(385,024)
Benefit payments, including refunds of employee contributions	(858,196)	(858,196)	-
Administrative expenses	-	(5,702)	5,702
Other changes	-	(80)	80
Net changes	\$ 108,261	\$ (122,837)	\$ 231,098
Balances at June 30, 2015	\$ 12,743,196	\$ 8,652,733	\$ 4,090,463

Note 9—Pension Plan: (continued)

Component Unit School Board (nonprofessional) (continued)

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

The following presents the net pension liability of the Component Unit School Board (nonprofessional) using the discount rate of 7.00%, as well as what the Component Unit 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%)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 5,548,540	\$ 4,090,463	\$ 2,858,306

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

For the year ended June 30, 2016, the Component Unit School Board (nonprofessional) recognized pension expense of \$216,827. At June 30, 2016, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 18,447
Net difference between projected and actual earnings on pension plan investments	-	239,875
Employer contributions subsequent to the measurement date	264,897	-
Total	\$ 264,897	\$ 258,322

Note 9—Pension Plan: (continued)

Component Unit School Board (nonprofessional) (continued)

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

\$264,897 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board’s (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (nonprofessional)</u>
2017	\$ (112,505)
2018	(94,058)
2019	(94,058)
2020	42,299

Component Unit School Board (professional)

Plan Description

Additional information related to the plan description, plan contribution requirements, long-term expected rate of return, and discount rate is included in the first section of this note.

Contributions

Each School Division’s contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. The actuarially determined 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, 2016. Contributions to the pension plan from the School Board were \$3,943,479 and \$4,140,057 for the years ended June 30, 2016 and June 30, 2015, respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

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

At June 30, 2016, the school division reported a liability of \$48,405,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 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, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division’s proportion was 0.38458% as compared to 0.40358% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$3,299,000. Since there was a change in proportionate share between measurement dates, 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, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 667,000
Net difference between projected and actual earnings on pension plan investments	-	2,964,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	864,000	2,155,000
Employer contributions subsequent to the measurement date	<u>3,943,479</u>	<u>-</u>
Total	<u>\$ 4,807,479</u>	<u>\$ 5,786,000</u>

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)

\$3,943,479 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 fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (professional)</u>
2017	\$ (1,558,000)
2018	(1,558,000)
2019	(1,558,000)
2020	50,000
Thereafter	(298,000)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, 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.

Note 9—Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Actuarial Assumptions (continued)

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, 2014 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

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)	\$ 70,836,000	\$ 48,405,000	\$ 29,939,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 9—Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 10-Capital Assets:

Capital asset activity for the year ended June 30, 2016 was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</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	\$ 13,415	\$ -	\$ 87,737,843
Machinery and equipment	6,269,750	144,477	(61,880)	6,352,347
Total capital assets being depreciated	<u>\$ 93,994,178</u>	<u>\$ 157,892</u>	<u>\$ (61,880)</u>	<u>\$ 94,090,190</u>
Accumulated depreciation:				
Buildings and improvements	\$ (16,484,505)	\$ (1,702,218)	\$ -	\$ (18,186,723)
Machinery and equipment	(4,902,392)	(419,668)	21,495	(5,300,565)
Total accumulated depreciation	<u>\$ (21,386,897)</u>	<u>\$ (2,121,886)</u>	<u>\$ 21,495</u>	<u>\$ (23,487,288)</u>
Total capital assets being depreciated, net	<u>\$ 72,607,281</u>	<u>\$ (1,963,994)</u>	<u>\$ (40,385)</u>	<u>\$ 70,602,902</u>
Governmental activities capital assets, net	<u>\$ 74,757,924</u>	<u>\$ (1,963,994)</u>	<u>\$ (40,385)</u>	<u>\$ 72,753,545</u>

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COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 10-Capital Assets: (continued)

Primary Government: (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 314,816	\$ -	\$ -	\$ 314,816
Construction in progress	-	21,837	-	21,837
Total capital assets not being depreciated	<u>\$ 314,816</u>	<u>\$ 21,837</u>	<u>\$ -</u>	<u>\$ 336,653</u>
Capital assets, being depreciated:				
Infrastructure	\$ 16,196,419	\$ 119,700	\$ -	\$ 16,316,119
Machinery and equipment	5,260,761	130,000	(62,337)	5,328,424
Total capital assets being depreciated	<u>\$ 21,457,180</u>	<u>\$ 249,700</u>	<u>\$ (62,337)</u>	<u>\$ 21,644,543</u>
Accumulated depreciation:				
Infrastructure	\$ (5,511,288)	\$ (435,370)	\$ -	\$ (5,946,658)
Machinery and equipment	(3,881,836)	(466,762)	62,337	(4,286,261)
Total accumulated depreciation	<u>\$ (9,393,124)</u>	<u>\$ (902,132)</u>	<u>\$ 62,337</u>	<u>\$ (10,232,919)</u>
Total capital assets being depreciated, net	<u>\$ 12,064,056</u>	<u>\$ (652,432)</u>	<u>\$ -</u>	<u>\$ 11,411,624</u>
Business-type activities capital assets, net	<u><u>\$ 12,378,872</u></u>	<u><u>\$ (630,595)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,748,277</u></u>

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

Governmental activities:	
General governmental administration	\$ 53,370
Judicial administration	9,451
Public safety	333,537
Public works	290,103
Health and welfare	82,424
Education	1,305,525
Parks, recreation, and cultural	45,551
Community development	1,925
Total depreciation expense-governmental activities	<u>\$ 2,121,886</u>
Business-type activities:	
Public works	<u>\$ 902,132</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 2016 was \$13,750 and accumulated amortization as of June 30, 2016 amounted to \$68,750.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 10-Capital Assets: (continued)

Capital asset activity for the School Board for the year ended June 30, 2016 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	207,600	(2,882,047)	-
Total capital assets not being depreciated	<u>\$ 4,692,910</u>	<u>\$ 207,600</u>	<u>\$ (2,882,047)</u>	<u>\$ 2,018,463</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 62,391,253	\$ 2,882,047	\$ -	\$ 65,273,300
Machinery and equipment	9,806,961	64,765	-	9,871,726
Total capital assets being depreciated	<u>\$ 72,198,214</u>	<u>\$ 2,946,812</u>	<u>\$ -</u>	<u>\$ 75,145,026</u>
Accumulated depreciation:				
Buildings and improvements	\$ (34,069,716)	\$ (1,529,941)	\$ -	\$ (35,599,657)
Machinery and equipment	(7,754,352)	(453,133)	-	(8,207,485)
Total accumulated depreciation	<u>\$ (41,824,068)</u>	<u>\$ (1,983,074)</u>	<u>\$ -</u>	<u>\$ (43,807,142)</u>
Total capital assets being depreciated, net	<u>\$ 30,374,146</u>	<u>\$ 963,738</u>	<u>\$ -</u>	<u>\$ 31,337,884</u>
Governmental activities capital assets, net	<u><u>\$ 35,067,056</u></u>	<u><u>\$ 1,171,338</u></u>	<u><u>\$ (2,882,047)</u></u>	<u><u>\$ 33,356,347</u></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, 2016

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 \$17,512,411. The accrued liability for these costs reported as of June 30, 2016 is based on the capacity of the landfill used to date. The landfill capacity used at year end is approximately 57% and the remaining life of the landfill is approximately 24 years. The remaining cost to be accrued in the future is as follows:

Total Estimated Liability	\$17,512,411
Accrued Liability as of June 30, 2016	<u>9,898,319</u>
Total Closure and Postclosure Care Costs Remaining to be Recognized	<u><u>\$ 7,614,092</u></u>

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, 2016, the County has a balance of \$5,376,017 in this fund which is the aggregate funding to date including interest earned.

Note 14-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:

	Government-wide Statements	Balance Sheet
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Taxes receivable-2nd half installment	\$ 15,091,711	\$ 15,091,711
Prepaid taxes	1,639,840	1,639,840
Delinquent taxes receivable due prior to June 30 not collected within 60 days	-	3,832,589
Total	<u>\$ 16,731,551</u>	<u>\$ 20,564,140</u>

Note 15-Commitments and Contingencies:

Contingent Liabilities:

Federal programs in which the County and its component units participate were audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirement for Federal Awards*. 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 16-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.

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.

Note 16-Other Postemployment Benefits-Health Insurance: (continued)

B. Funding Policy (continued)

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

Participants	Premiums	
	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 2016, the County's annual required contribution (ARC) of \$142,230 did not equal the annual OPEB cost of \$143,123. 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	\$ 142,230
Interest on net OPEB obligation	28,055
Adjustment to annual required contribution	(27,162)
Annual OPEB expense	143,123
Contributions made	(89,468)
Increase in net OPEB obligation	53,655
Net OPEB obligation - beginning of year	623,450
Net OPEB obligation - end of year	<u>\$ 677,105</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 16-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 2016 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	142,420	30.23%	557,877
6/30/2015	148,414	55.82%	623,450
6/30/2016	143,123	62.51%	677,105

For 2016, the School Board’s annual OPEB cost (expense) of \$703,645 was not equal to the ARC of \$698,801. The obligation calculation is as follows:

Annual required contribution	\$ 698,801
Interest on net OPEB obligation	91,707
Adjustment to annual required contributor	(86,863)
Annual OPEB expense	703,645
Contributions made	(370,698)
Increase in net OPEB obligation	332,947
Net OPEB obligation - beginning of year	2,037,926
Net OPEB obligation - end of year	<u>\$2,370,873</u>

The School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 720,002	62.23%	\$ 1,743,673
6/30/2015	637,492	53.84%	2,037,926
6/30/2016	703,645	52.68%	2,370,873

Note 16-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, 2016, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	1,546,635
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	1,546,635
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	10,445,746
UAAL as a percentage of covered payroll		14.81%

The funded status of the Plan for the School Board as of June 30, 2016, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	7,219,842
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	7,219,842
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	31,741,067
UAAL as a percentage of covered payroll		22.75%

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 16-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, 2016 actuarial 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 7.50 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, 2016 was 30 years.

Note 17-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 2016 was 0.09% of annual covered payroll.

Note 17—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 2016, the County’s contribution of \$3,253 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 2016 and the preceding two years are as follows:

	Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
Primary Government:				
County	6/30/2016	\$ 3,253	100.00%	-
	6/30/2015	1,980	100.00%	-
	6/30/2014	2,625	100.00%	-

D. Funded Status and Funding Progress

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

Actuarial accrued liability (AAL)	\$ 168,031
Actuarial value of plan assets	193,772
Unfunded actuarial accrued liability (UAAL)	\$ (25,741)
Funded ratio (actuarial value of plan assets/AAL)	115.32%
Covered payroll (active plan members)	\$ 3,568,968
UAAL as a percentage of covered payroll	-0.72%

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 17—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, 2015 was 19-28 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, 2016

Note 17—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 2016 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 2016, the School Board’s contribution of \$5,865 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 2016 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	6/30/2016	\$ 5,865	100.00%	-
	6/30/2015	6,097	100.00%	-
	6/30/2014	5,897	100.00%	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 17—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, 2015, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	237,994
Actuarial value of plan assets		199,002
Unfunded actuarial accrued liability (UAAL)	\$	38,992
Funded ratio (actuarial value of plan assets/AAL)		83.62%
Covered payroll (active plan members)	\$	1,627,856
UAAL as a percentage of covered payroll		2.40%

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, 2015 was 19-28 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 17—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, 2016 was \$298,095 and equaled the required contributions.

Note 18—Litigation:

As of June 30, 2016, 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 19 - Concentration Risk:

Historically, the County has relied on taxes generated by the Coal Industry. Direct taxes remitted from same include coal and gas severance and machinery and tools taxes. In the past five years, general fund net revenue generated from these sources has declined significantly. This decline in revenue has occurred due to changes in environmental policies of the United States Government. The County does not anticipate significant changes in these policies to occur in the near term. As such, the County does not anticipate continued reliance on the aforementioned revenues. In addition, the County anticipates that other revenue sources will be negatively impacted by a shrinking coal economy; however, estimates (projections) of these declines are not readily available. To date, the County has not identified alternative sources of revenue to maintain historical budget levels.

COUNTY OF WISE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 20—Restatement of Net Position/Fund Balance:

	General Fund	Wise Development Fund	Component Unit - School Board School Cafeteria Fund
Fund balance, as previously reported	\$ 17,656,644	\$ 44,901	\$ 1,240,787
Adjustments:			
Accounts payable	(199,444)	-	-
Tax incentive payable	400,000	-	-
Unearned revenue	-	(29,096)	-
Due from other governments	144,921	-	274,954
Fund balance, as restated	<u>\$ 18,002,121</u>	<u>\$ 15,805</u>	<u>\$ 1,515,741</u>
	Primary Government Governmental Activities		Component Unit School Board
Net position, as previously reported	\$ 12,200,762		\$ (20,870,327)
Adjustments noted above	316,381		274,954
Net position, as restated	<u>\$ 12,517,143</u>		<u>\$ (20,595,373)</u>

Note 21—Adoption of Accounting Principles:

Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 3.

Governmental Accounting Standards Board Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*

The County early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

Note 22—Upcoming Pronouncements:

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.

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.

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.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 29,007,924	\$ 29,024,944	\$ 30,520,943	\$ 1,495,999
Other local taxes	4,903,000	4,903,000	4,628,457	(274,543)
Permits, privilege fees, and regulatory licenses	42,500	42,500	67,852	25,352
Fines and forfeitures	20,000	20,000	40,777	20,777
Revenue from the use of money and property	70,000	70,000	105,507	35,507
Charges for services	34,500	34,500	69,097	34,597
Miscellaneous	315,000	325,000	350,077	25,077
Recovered costs	364,500	597,831	1,147,703	549,872
Intergovernmental:				
Commonwealth	11,395,031	11,594,304	12,072,336	478,032
Federal	3,363,850	3,488,431	4,357,946	869,515
Total revenues	\$ 49,516,305	\$ 50,100,510	\$ 53,360,695	\$ 3,260,185
EXPENDITURES				
Current:				
General government administration	\$ 3,638,223	\$ 3,646,276	\$ 3,146,419	\$ 499,857
Judicial administration	3,159,069	3,181,569	3,019,965	161,604
Public safety	10,071,797	10,576,519	9,765,808	810,711
Public works	1,277,248	1,316,178	800,505	515,673
Health and welfare	10,772,484	10,782,114	10,569,884	212,230
Education	14,932,848	14,932,848	13,993,745	939,103
Parks, recreation, and cultural	954,124	954,124	914,479	39,645
Community development	1,643,088	1,653,088	1,325,033	328,055
Nondepartmental	31,741	31,741	60,434	(28,693)
Debt service:				
Principal retirement	4,059	4,059	401,052	(396,993)
Bond issuance costs	-	-	88,945	(88,945)
Interest and other fiscal charges	-	-	115,542	(115,542)
Total expenditures	\$ 46,484,681	\$ 47,078,516	\$ 44,201,811	\$ 2,876,705
Excess (deficiency) of revenues over (under) expenditures	\$ 3,031,624	\$ 3,021,994	\$ 9,158,884	\$ 6,136,890
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 100,000	\$ 108,967	\$ 4,999	\$ (103,968)
Transfers out	(4,280,008)	(4,288,975)	(3,847,665)	441,310
Issuance of refunding bond	-	-	14,800,000	14,800,000
Payment to refunded bond escrow agent	-	-	(14,711,055)	(14,711,055)
Total other financing sources (uses)	\$ (4,180,008)	\$ (4,180,008)	\$ (3,753,721)	\$ 426,287
Net change in fund balances	\$ (1,148,384)	\$ (1,158,014)	\$ 5,405,163	\$ 6,563,177
Fund balances - beginning, as restated	1,148,384	1,158,014	18,002,121	16,844,107
Fund balances - ending	\$ -	\$ -	\$ 23,407,284	\$ 23,407,284

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Other local taxes	\$ 1,250,000	\$ 1,250,000	\$ 942,408	\$ (307,592)
Revenue from the use of money and property	-	-	8,061	8,061
Total revenues	\$ 1,250,000	\$ 1,250,000	\$ 950,469	\$ (299,531)
EXPENDITURES				
Current:				
Public works	\$ 312,500	\$ 312,500	\$ 254,829	\$ 57,671
Community development	937,500	937,500	1,279,540	(342,040)
Total expenditures	\$ 1,250,000	\$ 1,250,000	\$ 1,534,369	\$ (284,369)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (583,900)	\$ (583,900)
Net change in fund balances	\$ -	\$ -	\$ (583,900)	\$ (583,900)
Fund balances - beginning	-	-	2,400,127	2,400,127
Fund balances - ending	\$ -	\$ -	\$ 1,816,227	\$ 1,816,227

County of Wise, Virginia
Schedule of OPEB Funding Progress
For the Year Ended June 30, 2016

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, 2016	\$ -	\$ 1,546,635	\$ 1,546,635	0.00%	\$ 10,445,746	14.81%
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%

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, 2015	\$ 193,772	\$ 168,031	\$ (25,741)	115.32%	\$ 3,568,968	-0.72%
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%

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, 2016	\$ -	\$ 7,219,842	\$ 7,219,842	0.00%	\$ 31,741,067	22.75%
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%

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, 2015	\$ 199,002	\$ 237,994	\$ 38,992	83.62%	\$ 1,627,856	2.40%
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%

County of Wise, Virginia
 Schedule of Employer's Proportionate Share of the Net Pension Liability (Asset)
 Primary Government and Component Unit School Board (professional)
 For the Year Ended June 30, 2016

Date (1)	Proportion of the Net Pension Liability (Asset) (NPLA) (2)	Proportionate Share of the NPLA (3)	Covered Payroll (4)	Proportionate Share of the NPLA as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (Asset) (6)
Primary Government - County Retirement Plan (A)					
2015	99.2317%	\$ 9,438,135	\$ 10,427,584	90.51%	82.24%
Component Unit School Board (professional)					
2015	0.3846%	\$ 48,405,000	\$ 28,625,391	169.10%	70.68%
2014	0.4036%	48,771,000	29,497,431	165.34%	70.88%

(A) During fiscal year 2016, the County's presentation was changed to a cost-sharing presentation. Information prior to this period is not available.

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

County of Wise, Virginia
 Schedule of Components of and Changes in Net Pension Liability and Related Ratios
 Component Unit School Board (nonprofessional)
 For the Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 158,445	\$ 153,753
Interest	854,409	840,738
Differences between expected and actual experience	(46,397)	-
Benefit payments, including refunds of employee contributions	(858,196)	(740,191)
Net change in total pension liability	\$ 108,261	\$ 254,300
Total pension liability - beginning	12,634,935	12,380,635
Total pension liability - ending (a)	\$ 12,743,196	\$ 12,634,935
Plan fiduciary net position		
Contributions - employer	\$ 272,831	\$ 205,764
Contributions - employee	83,286	84,864
Net investment income	385,024	1,226,210
Benefit payments, including refunds of employee contributions	(858,196)	(740,191)
Administrative expense	(5,702)	(6,930)
Other	(80)	65
Net change in plan fiduciary net position	\$ (122,837)	\$ 769,782
Plan fiduciary net position - beginning	8,775,570	8,005,788
Plan fiduciary net position - ending (b)	\$ 8,652,733	\$ 8,775,570
School Division's net pension liability - ending (a) - (b)	\$ 4,090,463	\$ 3,859,365
Plan fiduciary net position as a percentage of the total pension liability	67.90%	69.45%
Covered payroll	\$ 1,669,474	\$ 1,700,246
School Division's net pension liability as a percentage of covered payroll	245.02%	226.99%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

County of Wise, Virginia
Schedule of Employer Contributions
For the Year Ended June 30, 2016

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					
2016	\$ 1,340,662	\$ 1,072,374	\$ 268,288	\$ 10,548,086	10.17%
2015	1,336,945	1,069,766	267,179	10,518,844	10.17%
2014	1,130,659	791,968	338,691	10,140,435	7.81%
2013	1,054,605	738,696	315,909	9,458,338	7.81%
2012	666,270	666,270	-	9,215,355	7.23%
2011	676,893	676,893	-	9,362,287	7.23%
2010	626,472	626,472	-	9,434,815	6.64%
2009	617,020	617,020	-	9,292,464	6.64%
2008	543,280	543,280	-	8,979,829	6.05%
2007	525,172	525,172	-	8,680,525	6.05%
Component Unit School Board (nonprofessional)					
2016	\$ 331,027	\$ 264,897	\$ 66,130	\$ 1,629,068	16.26%
2015	339,237	272,831	66,406	1,669,474	16.34%
2014	275,950	205,764	70,186	1,700,246	12.10%
2013	271,233	202,380	68,853	1,671,183	12.11%
2012	202,132	202,132	-	1,669,133	12.11%
2011	217,026	217,026	-	1,792,122	12.11%
2010	228,389	228,389	-	2,031,932	11.24%
2009	232,562	232,562	-	2,069,053	11.24%
2008	242,772	242,772	-	1,935,977	12.54%
2007	230,316	230,316	-	1,836,652	12.54%
Component Unit School Board (professional)					
2016	\$ 3,943,479	\$ 3,943,479	\$ -	\$ 28,122,127	14.02%
2015	4,140,057	4,140,057	-	28,625,391	14.46%
2014	4,914,272	4,914,272	-	29,497,431	16.66%
2013	5,360,684	5,360,684	-	28,273,650	18.96%
2012	3,638,140	3,638,140	-	29,796,396	12.21%
2011	3,058,813	3,058,813	-	23,859,696	12.82%

*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.

Current year contributions are from County records and prior year contributions are from the VRS actuarial valuation performed each year.

Schedule is intended to show information for 10 years. Component Unit School Board (professional) information is not available prior to 2011; however, additional years will be included as they become available.

County of Wise, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2016

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

Other Supplementary Information

County of Wise, Virginia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Total</u>
	<u>Wise Development Fund</u>	<u>Forfeited Assets Fund</u>		
ASSETS				
Cash and cash equivalents	\$ 199,194	\$ 110,050	\$ 179,350	\$ 488,594
Total assets	<u>\$ 199,194</u>	<u>\$ 110,050</u>	<u>\$ 179,350</u>	<u>\$ 488,594</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,029	\$ 5,401	\$ -	\$ 7,430
Due to other funds	-	-	400	400
Unearned revenue	181,360	-	-	181,360
Total liabilities	<u>\$ 183,389</u>	<u>\$ 5,401</u>	<u>\$ 400</u>	<u>\$ 189,190</u>
FUND BALANCES				
Restricted:				
Capital Projects	\$ -	\$ -	\$ 178,950	\$ 178,950
Wise Development	15,805	-	-	15,805
Asset forfeiture funds	-	104,649	-	104,649
Total fund balances	<u>\$ 15,805</u>	<u>\$ 104,649</u>	<u>\$ 178,950</u>	<u>\$ 299,404</u>
Total liabilities and fund balances	<u>\$ 199,194</u>	<u>\$ 110,050</u>	<u>\$ 179,350</u>	<u>\$ 488,594</u>

County of Wise, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue Funds			Capital Projects Fund	Total
	Wise Development Fund	Forfeited Assets Fund			
REVENUES					
Fines and forfeitures	\$ -	\$ 4,275	\$ -	\$ 4,275	
Miscellaneous	-	97,039	24,011	121,050	
Intergovernmental:					
Federal	898,507	-	158,640	1,057,147	
Total revenues	<u>\$ 898,507</u>	<u>\$ 101,314</u>	<u>\$ 182,651</u>	<u>\$ 1,182,472</u>	
EXPENDITURES					
Current:					
Public safety	\$ -	\$ 111,450	\$ -	\$ 111,450	
Community development	898,507	-	-	898,507	
Capital projects	-	-	166,560	166,560	
Total expenditures	<u>\$ 898,507</u>	<u>\$ 111,450</u>	<u>\$ 166,560</u>	<u>\$ 1,176,517</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (10,136)</u>	<u>\$ 16,091</u>	<u>\$ 5,955</u>	
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ 600	\$ -	\$ 600	
Transfers out	-	(4,999)	-	(4,999)	
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (4,399)</u>	<u>\$ -</u>	<u>\$ (4,399)</u>	
Net change in fund balances	\$ -	\$ (14,535)	\$ 16,091	\$ 1,556	
Fund balances - beginning, as restated	15,805	119,184	162,859	297,848	
Fund balances - ending	<u>\$ 15,805</u>	<u>\$ 104,649</u>	<u>\$ 178,950</u>	<u>\$ 299,404</u>	

County of Wise, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Agency Funds</u>			
	Special Welfare <u>Fund</u>	Local Sales Tax <u>Fund</u>	Lonesome Pine Youth Services <u>Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 105,854	\$ 46,774	\$ 22,143	\$ 174,771
LIABILITIES				
Amounts held for social services clients	\$ 105,854	\$ -	\$ -	\$ 105,854
Amounts held for other governments	-	46,774	-	46,774
Amounts held for youth services	-	-	22,143	22,143
Total liabilities	<u>\$ 105,854</u>	<u>\$ 46,774</u>	<u>\$ 22,143</u>	<u>\$ 174,771</u>

County of Wise, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
June 30, 2016

	Agency Funds			
	Special Welfare Fund	Local Sales Tax Fund	Lonesome Pine Youth Services Fund	Total
Assets:				
Beginning Balance	\$ 95,142	\$ 352,138	\$ 243	\$ 447,523
Additions	225,877	702,939	22,143	950,959
Deletions	(215,165)	(1,008,303)	(243)	(1,223,711)
Ending Balance	<u>\$ 105,854</u>	<u>\$ 46,774</u>	<u>\$ 22,143</u>	<u>\$ 174,771</u>
Liabilities:				
Beginning Balance	\$ 95,142	\$ 352,138	\$ 243	\$ 447,523
Additions	225,877	702,939	22,143	950,959
Deletions	(215,165)	(1,008,303)	(243)	(1,223,711)
Ending Balance	<u>\$ 105,854</u>	<u>\$ 46,774</u>	<u>\$ 22,143</u>	<u>\$ 174,771</u>

County of Wise, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2016

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	School Capital Projects <u>Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 657,468	\$ 1,484,499	\$ 237,673	\$ 2,379,640
Investments	11,289	10,269	10,558	32,116
Receivables (net of allowance for uncollectibles):				
Accounts receivable	56,359	-	-	56,359
Due from other funds	2,500	-	-	2,500
Due from other governmental units	1,309,361	211,361	-	1,520,722
Prepaid items	165,548	14,965	-	180,513
Total assets	<u>\$ 2,202,525</u>	<u>\$ 1,721,094</u>	<u>\$ 248,231</u>	<u>\$ 4,171,850</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 965,299	\$ 16,358	\$ 50,387	\$ 1,032,044
Due to primary government	730,686	-	-	730,686
Total liabilities	<u>\$ 1,695,985</u>	<u>\$ 16,358</u>	<u>\$ 50,387</u>	<u>\$ 1,762,730</u>
Fund balances:				
Nonspendable:				
Prepaid items	\$ 165,548	\$ 14,965	\$ -	\$ 180,513
Restricted:				
School cafeteria	-	1,689,771	-	1,689,771
School construction	-	-	197,844	197,844
Committed:				
Textbooks	433,330	-	-	433,330
Unassigned	(92,338)	-	-	(92,338)
Total fund balances	<u>\$ 506,540</u>	<u>\$ 1,704,736</u>	<u>\$ 197,844</u>	<u>\$ 2,409,120</u>
Total liabilities and fund balances	<u>\$ 2,202,525</u>	<u>\$ 1,721,094</u>	<u>\$ 248,231</u>	<u>\$ 4,171,850</u>

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances per above \$ 2,409,120

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 2,018,463	
Buildings and improvements	29,673,643	
Machinery and equipment	1,664,241	33,356,347

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 (6,044,322)

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.

48,126

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.

4,208,376

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	\$ (52,495,463)	
Deferred outflows related to measurement of net pension liability	864,000	
Net OPEB obligation	(2,370,873)	
Capital leases	(602,538)	
Compensated absences	(377,059)	(54,981,933)

Net position of governmental activities \$ (21,004,286)

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, 2016

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Total
REVENUES				
Revenue from the use of money and property	\$ 19,693	\$ 5,430	\$ -	\$ 25,123
Charges for services	175,131	782,014	-	957,145
Miscellaneous	-	-	81,047	81,047
Recovered costs	2,730,941	-	-	2,730,941
Intergovernmental:				
Local government	13,792,875	-	150,000	13,942,875
Commonwealth	36,095,636	42,808	-	36,138,444
Federal	4,911,495	1,935,415	-	6,846,910
Total revenues	<u>\$ 57,725,771</u>	<u>\$ 2,765,667</u>	<u>\$ 231,047</u>	<u>\$ 60,722,485</u>
EXPENDITURES				
Current:				
Education	\$ 54,767,758	\$ 2,591,596	\$ -	\$ 57,359,354
Capital projects	-	-	332,726	332,726
Debt service:				
Principal retirement	511,864	-	110,844	622,708
Interest and other fiscal charges	2,441,486	-	6,533	2,448,019
Total expenditures	<u>\$ 57,721,108</u>	<u>\$ 2,591,596</u>	<u>\$ 450,103</u>	<u>\$ 60,762,807</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 4,663</u>	<u>\$ 174,071</u>	<u>\$ (219,056)</u>	<u>\$ (40,322)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 14,924	\$ -	\$ 14,924
Transfers out	(14,924)	-	-	(14,924)
Total other financing sources (uses)	<u>\$ (14,924)</u>	<u>\$ 14,924</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ (10,261)	\$ 188,995	\$ (219,056)	\$ (40,322)
Fund balances - beginning, as restated	516,801	1,515,741	416,900	2,449,442
Fund balances - ending	<u>\$ 506,540</u>	<u>\$ 1,704,736</u>	<u>\$ 197,844</u>	<u>\$ 2,409,120</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 \$ (40,322)

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 depreciations expense exceeded capital outlays in the current period.

Capital asset additions	\$ 272,365	
Depreciation in current year	<u>(1,983,074)</u>	(1,710,709)

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	1,739,102	
One-time payment to VRS Teacher Plan from Virginia Literary Fund	742,000	2,481,102

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	322,708
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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	\$ (83,353)	
(Increase) decrease in net pension liability	(607,098)	
(Increase) decrease in net OPEB obligation	(332,947)	
Increase (decrease) in deferred outflows of resources related to the net pension liability	<u>(448,137)</u>	(1,471,535)

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.

9,843

Change in net position of governmental activities

\$ (408,913)

County of Wise, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 Governmental Funds
 For the Year Ended June 30, 2016

	School Operating Fund			School Cafeteria Fund			School Capital Projects Fund		
	Budgeted Amounts Original	Final	Actual	Budgeted Amounts Original	Final	Actual	Budgeted Amounts Original	Final	Actual
REVENUES									
Revenue from the use of money and property	\$ 18,000	\$ 18,000	\$ 19,693	\$ -	\$ -	\$ 5,430	\$ -	\$ -	\$ -
Charges for services	45,700	45,700	175,131	1,038,000	1,038,000	782,014	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	81,047
Recovered costs	2,832,500	2,832,500	2,730,941	-	-	-	-	-	-
Intergovernmental:									
Local government	12,722,000	12,722,000	13,792,875	-	-	-	-	-	150,000
Commonwealth	36,720,100	36,720,100	36,095,636	52,000	52,000	42,808	-	-	-
Federal	4,081,300	4,081,300	4,911,495	1,820,000	1,820,000	1,935,415	-	-	-
Total revenues	\$ 56,419,600	\$ 56,419,600	\$ 57,725,771	\$ 2,910,000	\$ 2,910,000	\$ 2,765,667	\$ -	\$ -	\$ 231,047
	\$ 56,419,600	\$ 56,419,600	\$ 54,767,758	\$ 2,910,000	\$ 2,910,000	\$ 2,591,596	\$ -	\$ -	\$ 318,404
EXPENDITURES									
Current:									
Education	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	332,726
Debt service:									
Principal retirement	-	-	511,864	-	-	-	-	-	110,844
Interest and other fiscal charges	-	-	2,441,486	-	-	-	-	-	6,533
Total expenditures	\$ 56,419,600	\$ 56,419,600	\$ 57,721,108	\$ 2,910,000	\$ 2,910,000	\$ 2,591,596	\$ -	\$ -	\$ 450,103
	\$ -	\$ -	\$ 4,663	\$ -	\$ -	\$ 174,071	\$ -	\$ -	\$ (219,056)
Excess (deficiency) of revenues over (under) expenditures									
OTHER FINANCING SOURCES (USES)									
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,924	\$ -	\$ -	\$ -
Transfers out	-	-	(14,924)	-	-	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ (14,924)	\$ -	\$ -	\$ 14,924	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ (10,261)	\$ -	\$ -	\$ 188,995	\$ -	\$ -	\$ (219,056)
Net change in fund balances									
Fund balances - beginning, as restated	-	-	516,801	-	-	1,515,741	-	-	416,900
Fund balances - ending	\$ -	\$ -	\$ 506,540	\$ -	\$ -	\$ 1,704,736	\$ -	\$ -	\$ 197,844

County of Wise, Virginia
 Statement of Net Position
 Discretely Presented Component Unit - School Board
 Internal Service Fund
 June 30, 2016

	<u>Self- Insurance Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 50,626
Total assets	\$ 50,626
 LIABILITIES	
Current liabilities:	
Due to other funds	\$ 2,500
Total liabilities	\$ 2,500
 NET POSITION	
Restricted for health insurance claims	\$ 48,126
Total net position	\$ 48,126

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, 2016

	<u>Self- Insurance Fund</u>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 532,799
Total operating revenues	<u>\$ 532,799</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 522,982
Total operating expenses	<u>\$ 522,982</u>
Operating income (loss)	<u>\$ 9,817</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	<u>\$ 26</u>
Total nonoperating revenues (expenses)	<u>\$ 26</u>
Change in net position	\$ 9,843
Total net position - beginning	38,283
Total net position - ending	<u><u>\$ 48,126</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, 2016

	Self- Insurance <u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 532,799
Payments for premiums	(522,982)
Net cash provided by (used for) operating activities	<u>\$ 9,817</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	<u>\$ 26</u>
Net increase (decrease) in cash and cash equivalents	\$ 9,843
Cash and cash equivalents - beginning	40,783
Cash and cash equivalents - ending	<u><u>\$ 50,626</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ 9,817</u>
Net cash provided by (used for) operating activities	<u><u>\$ 9,817</u></u>

County of Wise, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

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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	\$ 11,106,825	\$ 406,825
Real and Personal PSC Tax	9,047,368	9,047,368	13,150,098	4,102,730
Personal Property Tax	6,535,556	6,535,556	3,780,893	(2,754,663)
Mobile Home Tax	200,000	200,000	197,398	(2,602)
Machinery and Tools Tax	1,350,000	1,350,000	1,025,913	(324,087)
Merchants Capital Tax	925,000	925,000	856,293	(68,707)
DMV stops/administration fees	-	17,020	27,268	10,248
Penalties	250,000	250,000	237,392	(12,608)
Interest	-	-	138,863	138,863
Total general property taxes	<u>\$ 29,007,924</u>	<u>\$ 29,024,944</u>	<u>\$ 30,520,943</u>	<u>\$ 1,495,999</u>
Other local taxes:				
Local Sales and Use Tax	\$ 2,875,000	\$ 2,875,000	\$ 2,682,417	\$ (192,583)
Consumers' Utility Tax	360,000	360,000	476,396	116,396
Consumption Tax	100,000	100,000	94,939	(5,061)
Coal Severance Tax	1,300,000	1,300,000	1,068,253	(231,747)
Utility License Tax	-	-	30,650	30,650
Transient Occupancy Tax	19,000	19,000	49,205	30,205
Bank Stock Tax	-	-	13,584	13,584
Taxes on Recordation and Wills	249,000	249,000	213,013	(35,987)
Total other local taxes	<u>\$ 4,903,000</u>	<u>\$ 4,903,000</u>	<u>\$ 4,628,457</u>	<u>\$ (274,543)</u>
Permits, privilege fees, and regulatory licenses:				
Building permits	\$ 35,000	\$ 35,000	\$ 49,997	\$ 14,997
Zoning permits	-	-	3,475	3,475
Animal licenses	7,500	7,500	7,900	400
Erosion and sediment permits	-	-	6,480	6,480
Total permits, privilege fees, and regulatory licenses	<u>\$ 42,500</u>	<u>\$ 42,500</u>	<u>\$ 67,852</u>	<u>\$ 25,352</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 20,000	\$ 20,000	\$ 40,777	\$ 20,777
Revenue from use of money and property:				
Revenue from use of money	\$ 40,000	\$ 40,000	\$ 70,274	\$ 30,274
Revenue from use of property	30,000	30,000	35,233	5,233
Total revenue from use of money and property	<u>\$ 70,000</u>	<u>\$ 70,000</u>	<u>\$ 105,507</u>	<u>\$ 35,507</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ -	\$ -	\$ 3,370	\$ 3,370
Charges for electronic summons	-	-	28,597	28,597
Charges for Community Corrections	-	-	14,746	14,746
Courthouse maintenance fees	30,000	30,000	11,417	(18,583)
Court recording fees	-	-	6,342	6,342
Court appointed attorney	-	-	120	120
Charges for Commonwealth's Attorney	4,500	4,500	4,505	5
Total charges for services	<u>\$ 34,500</u>	<u>\$ 34,500</u>	<u>\$ 69,097</u>	<u>\$ 34,597</u>

County of Wise, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

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)				
Miscellaneous:				
Miscellaneous revenue	\$ 315,000	\$ 325,000	\$ 350,077	\$ 25,077
Recovered costs:				
Recovered costs - City of Norton shared services	\$ -	\$ -	\$ 229,690	\$ 229,690
Recovered costs - Pre-trial services	-	55,200	255,200	200,000
Recovered costs - Social Services	275,000	275,000	244,986	(30,014)
Recovered costs - Health Department	-	-	73,541	73,541
Recovered costs - other	89,500	267,631	344,286	76,655
Total recovered costs	\$ 364,500	\$ 597,831	\$ 1,147,703	\$ 549,872
Total revenue from local sources	\$ 34,757,424	\$ 35,017,775	\$ 36,930,413	\$ 1,912,638
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicles carriers' tax	\$ 152,000	\$ 152,000	\$ 138,867	\$ (13,133)
Mobile home titling tax	115,000	115,000	139,353	24,353
Motor vehicle rental tax	4,500	4,500	3,703	(797)
State recordation tax	-	-	25,342	25,342
Communications tax	940,000	940,000	971,570	31,570
Personal property tax relief act funds	-	-	1,380,233	1,380,233
Total noncategorical aid	\$ 1,211,500	\$ 1,211,500	\$ 2,659,068	\$ 1,447,568
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 726,927	\$ 726,927	\$ 720,839	\$ (6,088)
Sheriff	2,103,900	2,103,900	2,092,129	(11,771)
Commissioner of revenue	192,624	192,624	189,817	(2,807)
Treasurer	157,918	157,918	157,896	(22)
Registrar/electoral board	48,950	48,950	52,909	3,959
Clerk of the Circuit Court	459,259	481,759	465,147	(16,612)
Total Shared Expenses	\$ 3,689,578	\$ 3,712,078	\$ 3,678,737	\$ (33,341)
Other categorical aid:				
Victim witness grant	\$ 58,670	\$ 58,670	\$ 14,084	\$ (44,586)
Disaster recovery	-	-	198,922	198,922
Pre-trial services grant	800,000	806,626	606,626	(200,000)
SW VA Corrections grant	632,746	638,735	606,735	(32,000)
Law enforcement grants	45,000	195,738	156,660	(39,078)
Four for life grant	34,000	34,000	33,757	(243)
Emergency services grants	320,703	320,703	141,168	(179,535)
Hazmat mitigation	-	-	56,983	56,983
Fire Program Funds	84,500	97,920	84,470	(13,450)
Library grants	-	-	5,000	5,000
Public assistance	4,518,334	4,518,334	2,581,521	(1,936,813)
Comprehensive services act	-	-	1,248,605	1,248,605
Total other categorical aid	\$ 6,493,953	\$ 6,670,726	\$ 5,734,531	\$ (936,195)
Total categorical aid	\$ 10,183,531	\$ 10,382,804	\$ 9,413,268	\$ (969,536)
Total revenue from the Commonwealth	\$ 11,395,031	\$ 11,594,304	\$ 12,072,336	\$ 478,032

County of Wise, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

<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	\$ -	\$ -	\$ 31,193	\$ 31,193
Categorical aid:				
DMV ground transportation safety grant	\$ -	\$ -	\$ 126,443	\$ 126,443
Law enforcement grants	102,500	227,081	27,815	(199,266)
Crime victim assistance	-	-	43,993	43,993
Violence against women grant	-	-	24,950	24,950
Public assistance	3,261,350	3,261,350	4,103,552	842,202
Total categorical aid	<u>\$ 3,363,850</u>	<u>\$ 3,488,431</u>	<u>\$ 4,326,753</u>	<u>\$ 838,322</u>
Total revenue from the federal government	<u>\$ 3,363,850</u>	<u>\$ 3,488,431</u>	<u>\$ 4,357,946</u>	<u>\$ 869,515</u>
Total General Fund	<u>\$ 49,516,305</u>	<u>\$ 50,100,510</u>	<u>\$ 53,360,695</u>	<u>\$ 3,260,185</u>
Special Revenue Funds:				
Coal Road Improvement Fund:				
Revenue from local sources:				
Other local taxes:				
Coal road taxes	\$ 1,250,000	\$ 1,250,000	\$ 942,408	\$ (307,592)
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 8,061	\$ 8,061
Total revenue from local sources	<u>\$ 1,250,000</u>	<u>\$ 1,250,000</u>	<u>\$ 950,469</u>	<u>\$ (299,531)</u>
Total Coal Road Improvement Fund	<u>\$ 1,250,000</u>	<u>\$ 1,250,000</u>	<u>\$ 950,469</u>	<u>\$ (299,531)</u>
Nonmajor Special Revenue Funds:				
Wise Development Fund:				
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Research Cooperative Agreement - NASA	\$ 1,238,730	\$ 1,238,730	\$ 898,507	\$ (340,223)
Total Wise Development Fund	<u>\$ 1,238,730</u>	<u>\$ 1,238,730</u>	<u>\$ 898,507</u>	<u>\$ (340,223)</u>
Forfeited Assets Fund:				
Revenue from local sources:				
Fines and forfeitures:				
Court fines and forfeitures	\$ -	\$ -	\$ 4,275	\$ 4,275
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 97,039	\$ 97,039
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,314</u>	<u>\$ 101,314</u>
Total Forfeited Assets Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,314</u>	<u>\$ 101,314</u>

County of Wise, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

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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>
Nonmajor Capital Projects Funds:				
Capital Projects Fund:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 24,011	\$ 24,011
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Community Development Block Grant	\$ -	\$ -	\$ 158,640	\$ 158,640
Total Capital Projects Fund	\$ -	\$ -	\$ 182,651	\$ 182,651
Total Primary Government	\$ 52,005,035	\$ 52,589,240	\$ 55,701,746	\$ 3,112,506
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	17,900	\$ (100)
Revenue from the use of property	-	-	1,793	1,793
Total revenue from use of money and property	\$ 18,000	\$ 18,000	\$ 19,693	\$ 1,693
Charges for services:				
Tuition and payments from other divisions	\$ 45,700	\$ 45,700	\$ 175,131	\$ 129,431
Recovered costs:				
ERATE reimbursements	\$ -	\$ -	\$ 281,846	\$ 281,846
Other recovered costs	2,832,500	2,832,500	2,449,095	(383,405)
Total recovered costs	\$ 2,832,500	\$ 2,832,500	\$ 2,730,941	\$ (101,559)
Total revenue from local sources	\$ 2,896,200	\$ 2,896,200	\$ 2,925,765	\$ 29,565
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Wise, Virginia	\$ 12,722,000	\$ 12,722,000	\$ 13,792,875	\$ 1,070,875
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 5,904,200	\$ 5,904,200	\$ 5,890,229	\$ (13,971)
Basic Aid	18,589,200	18,589,200	18,582,876	(6,324)
Remedial summer education	-	-	105,917	105,917
Regular foster care	-	-	11,116	11,116
Special education	1,920,500	1,920,500	1,799,020	(121,480)
Alternative education	306,100	306,100	306,108	8
Algebra readiness	114,100	114,100	106,837	(7,263)
Social security fringe benefits	1,160,500	1,160,500	1,159,273	(1,227)
Group life fringe benefits	73,100	73,100	72,991	(109)
Retirement fringe benefits	2,295,200	2,295,200	2,292,785	(2,415)
Governor's School	34,000	34,000	33,930	(70)
Early reading intervention	137,200	137,200	139,593	2,393
Adult education	299,300	299,300	110,948	(188,352)

County of Wise, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

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)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Homebound education	-	-	51,584	51,584
Vocation education	726,400	726,400	690,865	(35,535)
At risk payments	952,800	952,800	951,760	(1,040)
Primary class size	1,028,900	1,028,900	1,050,911	22,011
VPSA technology	388,000	388,000	85,166	(302,834)
At risk 4 year olds	734,300	734,300	734,261	(39)
English as a second language	-	-	13,435	13,435
Textbook/lottery payments	563,600	563,600	413,131	(150,469)
GED prep program	23,600	23,600	23,576	(24)
Gifted and talented	202,000	202,000	201,799	(201)
Remedial education	946,300	946,300	781,436	(164,864)
Project graduation	-	-	32,434	32,434
Salary supplement	317,400	317,400	317,075	(325)
Other state funds	3,400	3,400	136,580	133,180
Total categorical aid	<u>\$ 36,720,100</u>	<u>\$ 36,720,100</u>	<u>\$ 36,095,636</u>	<u>\$ (624,464)</u>
Total revenue from the Commonwealth	<u>\$ 36,720,100</u>	<u>\$ 36,720,100</u>	<u>\$ 36,095,636</u>	<u>\$ (624,464)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 1,750,000	\$ 1,750,000	\$ 2,057,310	\$ 307,310
Special education	1,349,700	1,349,700	1,192,906	(156,794)
Title VI-B, preschool	-	-	38,583	38,583
Vocational education	123,800	123,800	120,973	(2,827)
Improving teacher quality	396,500	396,500	411,741	15,241
Title VI rural education	-	-	102,536	102,536
JROTC	-	-	52,274	52,274
Forest reserve	70,000	70,000	57,908	(12,092)
QSCB federal interest subsidy	-	-	594,150	594,150
Basic adult education	391,300	391,300	283,114	(108,186)
Total categorical aid	<u>\$ 4,081,300</u>	<u>\$ 4,081,300</u>	<u>\$ 4,911,495</u>	<u>\$ 830,195</u>
Total revenue from the federal government	<u>\$ 4,081,300</u>	<u>\$ 4,081,300</u>	<u>\$ 4,911,495</u>	<u>\$ 830,195</u>
Total School Operating Fund	<u>\$ 56,419,600</u>	<u>\$ 56,419,600</u>	<u>\$ 57,725,771</u>	<u>\$ 1,306,171</u>

County of Wise, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

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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 Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 5,430	\$ 5,430
Charges for services:				
Cafeteria sales	\$ 1,038,000	\$ 1,038,000	\$ 782,014	\$ (255,986)
Total revenue from local sources	<u>\$ 1,038,000</u>	<u>\$ 1,038,000</u>	<u>\$ 787,444</u>	<u>\$ (250,556)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 52,000	\$ 52,000	\$ 42,808	\$ (9,192)
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 1,820,000	\$ 1,820,000	\$ 1,935,415	\$ 115,415
Total School Cafeteria Fund	<u>\$ 2,910,000</u>	<u>\$ 2,910,000</u>	<u>\$ 2,765,667</u>	<u>\$ (144,333)</u>
Capital Projects Fund:				
School Capital Projects Fund:				
Revenue from local sources:				
Miscellaneous:				
Donations	\$ -	\$ -	\$ 81,047	\$ 81,047
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Wise, Virginia	\$ -	\$ -	\$ 150,000	\$ 150,000
Total School Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,047</u>	<u>\$ 231,047</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 59,329,600</u>	<u>\$ 59,329,600</u>	<u>\$ 60,722,485</u>	<u>\$ 1,392,885</u>

County of Wise, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

<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	\$ 294,764	\$ 294,764	\$ 279,519	\$ 15,245
General and financial administration:				
County Administrator	\$ 547,319	\$ 547,319	\$ 541,154	\$ 6,165
Legal services	204,107	195,140	166,623	28,517
Commissioner of Revenue	694,463	694,463	620,397	74,066
Assessor	173,960	173,960	180,845	(6,885)
Treasurer	698,176	715,196	666,004	49,192
Data Processing	198,121	198,121	161,949	36,172
GIS	593,591	593,591	295,920	297,671
Total general and financial administration	<u>\$ 3,109,737</u>	<u>\$ 3,117,790</u>	<u>\$ 2,632,892</u>	<u>\$ 484,898</u>
Board of elections:				
Electoral Board	\$ 12,408	\$ 12,408	\$ -	\$ 12,408
Registrar	221,314	221,314	234,008	(12,694)
Total board of elections	<u>\$ 233,722</u>	<u>\$ 233,722</u>	<u>\$ 234,008</u>	<u>\$ (286)</u>
Total general government administration	<u>\$ 3,638,223</u>	<u>\$ 3,646,276</u>	<u>\$ 3,146,419</u>	<u>\$ 499,857</u>
Judicial administration:				
Courts:				
Circuit court	\$ 141,852	\$ 141,852	\$ 113,256	\$ 28,596
General district court	12,350	12,350	6,021	6,329
Juvenile and domestic court clerk	5,962	5,962	4,913	1,049
Juvenile and domestic relations court	424,430	424,430	422,245	2,185
Clerk of the circuit court	860,457	882,957	869,788	13,169
Sheriff - court services	542,819	542,819	536,218	6,601
Magistrate	3,700	3,700	2,740	960
Victim witness	58,670	58,670	58,073	597
Law library	22,000	22,000	19,712	2,288
Total courts	<u>\$ 2,072,240</u>	<u>\$ 2,094,740</u>	<u>\$ 2,032,966</u>	<u>\$ 61,774</u>
Commonwealth's Attorney:				
Commonwealth's Attorney	\$ 1,086,829	\$ 1,086,829	\$ 986,999	\$ 99,830
Total judicial administration	<u>\$ 3,159,069</u>	<u>\$ 3,181,569</u>	<u>\$ 3,019,965</u>	<u>\$ 161,604</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff - law enforcement	\$ 3,135,600	\$ 3,286,338	\$ 3,358,915	\$ (72,577)
Dispatcher/E911	838,820	847,787	779,776	68,011
Total law enforcement and traffic control	<u>\$ 3,974,420</u>	<u>\$ 4,134,125</u>	<u>\$ 4,138,691</u>	<u>\$ (4,566)</u>
Fire and rescue services:				
Volunteer fire departments	\$ 355,001	\$ 368,421	\$ 368,329	\$ 92
Ambulance and rescue services	242,201	242,201	233,557	8,644
Total fire and rescue services	<u>\$ 597,202</u>	<u>\$ 610,622</u>	<u>\$ 601,886</u>	<u>\$ 8,736</u>

County of Wise, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

<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	\$ 3,405,064	\$ 3,405,064	\$ 2,730,512	\$ 674,552
Pre-trial services	800,000	861,826	861,417	409
SWVA Community Corrections Center	632,746	638,735	634,813	3,922
Total correction and detention	<u>\$ 4,837,810</u>	<u>\$ 4,905,625</u>	<u>\$ 4,226,742</u>	<u>\$ 678,883</u>
Inspections:				
Building inspector	\$ 283,105	\$ 283,105	\$ 271,510	\$ 11,595
Other protection:				
Animal control	\$ 242,994	\$ 242,994	\$ 220,445	\$ 22,549
Emergency services	136,266	400,048	306,534	93,514
Total other protection	<u>\$ 379,260</u>	<u>\$ 643,042</u>	<u>\$ 526,979</u>	<u>\$ 116,063</u>
Total public safety	<u>\$ 10,071,797</u>	<u>\$ 10,576,519</u>	<u>\$ 9,765,808</u>	<u>\$ 810,711</u>
Public works:				
Maintenance of general buildings and grounds:				
General properties	\$ 1,277,248	\$ 1,316,178	\$ 800,505	\$ 515,673
Health and welfare:				
Health:				
Local health department	\$ 511,898	\$ 511,898	\$ 505,466	\$ 6,432
Mental health and mental retardation:				
Mental health	\$ 150,500	\$ 160,130	\$ 160,130	-
Welfare:				
Welfare administration	\$ 7,335,435	\$ 7,335,435	\$ 7,486,990	\$ (151,555)
Property tax relief	-	-	371,351	(371,351)
Comprehensive Services Act	2,666,601	2,666,601	1,938,397	728,204
Youth Service Board	84,300	84,300	83,800	500
Agency on Aging	23,750	23,750	23,750	-
Total welfare	<u>\$ 10,110,086</u>	<u>\$ 10,110,086</u>	<u>\$ 9,904,288</u>	<u>\$ 205,798</u>
Total health and welfare	<u>\$ 10,772,484</u>	<u>\$ 10,782,114</u>	<u>\$ 10,569,884</u>	<u>\$ 212,230</u>
Education:				
Other instructional costs:				
Contribution to School Board	\$ 14,881,978	\$ 14,881,978	\$ 13,942,875	\$ 939,103
Contribution to Community College	50,870	50,870	50,870	-
Total education	<u>\$ 14,932,848</u>	<u>\$ 14,932,848</u>	<u>\$ 13,993,745</u>	<u>\$ 939,103</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation Authority	\$ 66,500	\$ 66,500	\$ 51,750	\$ 14,750
Cultural enrichment:				
Cultural organizations	\$ 105,935	\$ 105,935	\$ 81,175	\$ 24,760

County of Wise, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

<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)				
Library:				
Regional library	\$ 781,689	\$ 781,689	\$ 781,554	\$ 135
Total parks, recreation, and cultural	\$ 954,124	\$ 954,124	\$ 914,479	\$ 39,645
Community development:				
Planning and community development:				
Economic development	\$ 109,028	\$ 109,028	\$ 90,609	\$ 18,419
Community development	105,413	115,413	161,365	(45,952)
Contribution to Housing Authority	23,750	23,750	23,750	-
Contribution to Cumberland Airport Commission	110,000	110,000	116,000	(6,000)
Contribution to LENOWISCO	66,684	66,684	66,684	-
Planning Commission	6,500	6,500	6,826	(326)
Community Project- Transient Occupancy	31,000	31,000	29,201	1,799
Software Engineering Initiative	20,000	20,000	7,000	13,000
Technology Initiative	20,000	20,000	1,558	18,442
Contribution to Industrial Development Authority	1,035,375	1,035,375	710,674	324,701
Total planning and community development	\$ 1,527,750	\$ 1,537,750	\$ 1,213,667	\$ 324,083
Cooperative extension program:				
Virginia Tech Extension Office	\$ 115,338	\$ 115,338	\$ 111,366	\$ 3,972
Total community development	\$ 1,643,088	\$ 1,653,088	\$ 1,325,033	\$ 328,055
Nondepartmental:				
Nondepartmental	\$ 31,741	\$ 31,741	\$ 60,434	\$ (28,693)
General Fund: (Continued)				
Debt service:				
Principal retirement	\$ 4,059	\$ 4,059	\$ 401,052	\$ (396,993)
Bond issuance costs	-	-	88,945	(88,945)
Interest and other fiscal charges	-	-	115,542	(115,542)
Total debt service	\$ 4,059	\$ 4,059	\$ 605,539	\$ (601,480)
Total General Fund	\$ 46,484,681	\$ 47,078,516	\$ 44,201,811	\$ 2,876,705
Special Revenue Funds:				
Coal Road Improvement Fund:				
Public Works:				
Maintenance of Highways, Streets, Bridges, and Sidewalks:				
Coal road projects	\$ 312,500	\$ 312,500	\$ 254,829	\$ 57,671
Community Development:				
Planning and community development:				
Distribution to Towns	\$ 250,000	\$ 250,000	\$ 192,560	\$ 57,440
Community development	687,500	687,500	1,086,980	(399,480)
Total planning and community development	\$ 937,500	\$ 937,500	\$ 1,279,540	\$ (342,040)
Total community development	\$ 937,500	\$ 937,500	\$ 1,279,540	\$ (342,040)
Total Coal Road Improvement Fund	\$ 1,250,000	\$ 1,250,000	\$ 1,534,369	\$ (284,369)

County of Wise, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

Schedule 2
 Page 4 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>
Nonmajor Special Revenue Funds:				
Wise Development Fund:				
Community Development:				
Planning and community development:				
Community project	1,238,730	1,238,730	\$ 898,507	\$ 340,223
Total Wise Development Fund	\$ 1,238,730	\$ 1,238,730	\$ 898,507	\$ 340,223
Forfeited Assets Fund:				
Public safety:				
Law enforcement and traffic control:				
Sheriff - law enforcement	\$ -	\$ -	\$ 111,450	\$ (111,450)
Total Forfeited Asset Fund	\$ -	\$ -	\$ 111,450	\$ (111,450)
Nonmajor Capital Projects Funds:				
Capital Projects Fund:				
Capital Projects:				
Capital projects:				
Stephens South River Project	\$ -	\$ -	\$ 7,920	\$ (7,920)
RODA, OSAKA & Stonegate	-	-	36,600	(36,600)
Wells-Boone Sewer	-	-	122,040	(122,040)
Total capital projects	\$ -	\$ -	\$ 166,560	\$ (166,560)
Total Capital Projects Fund	\$ -	\$ -	\$ 166,560	\$ (166,560)
Total Primary Government	\$ 48,973,411	\$ 49,567,246	\$ 46,912,697	\$ 2,654,549
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 2,024,100	\$ 2,024,100	\$ 2,254,651	\$ (230,551)
Instruction costs:				
Instructional costs	\$ 43,845,400	\$ 43,845,400	\$ 42,835,003	\$ 1,010,397
Technology	1,687,500	1,687,500	1,655,741	31,759
Total instruction costs	\$ 45,532,900	\$ 45,532,900	\$ 44,490,744	\$ 1,042,156
Operating costs:				
Pupil transportation	\$ 3,365,700	\$ 3,365,700	\$ 2,859,220	\$ 506,480
Operation and maintenance of school plant	5,496,900	5,496,900	5,163,143	333,757
Total operating costs	\$ 8,862,600	\$ 8,862,600	\$ 8,022,363	\$ 840,237
Total education	\$ 56,419,600	\$ 56,419,600	\$ 54,767,758	\$ 1,651,842
Debt service:				
Principal retirement	\$ -	\$ -	\$ 511,864	\$ (511,864)
Interest and other fiscal charges	-	-	2,441,486	(2,441,486)
Total debt service	\$ -	\$ -	\$ 2,953,350	\$ (2,953,350)
Total School Operating Fund	\$ 56,419,600	\$ 56,419,600	\$ 57,721,108	\$ (1,301,508)

County of Wise, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

<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>
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 2,910,000	\$ 2,910,000	\$ 2,591,596	\$ 318,404
Total School Cafeteria Fund	<u>\$ 2,910,000</u>	<u>\$ 2,910,000</u>	<u>\$ 2,591,596</u>	<u>\$ 318,404</u>
School Capital Projects Fund:				
Capital projects:				
School improvements	\$ -	\$ -	\$ 332,726	\$ (332,726)
Debt service:				
Principal retirement	\$ -	\$ -	\$ 110,844	\$ (110,844)
Interest and other fiscal charges	-	-	6,533	(6,533)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,377</u>	<u>\$ (117,377)</u>
Total School Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 450,103</u>	<u>\$ (450,103)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 59,329,600</u>	<u>\$ 59,329,600</u>	<u>\$ 60,762,807</u>	<u>\$ (1,433,207)</u>

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
2015-16	\$ 2,860,095	\$ 2,610,691	\$ 9,786,433	\$ 1,312,160	\$ 10,168,893	\$ 12,576,685	\$ 960,030	\$ 3,653,709	\$ 2,527,285	\$ 3,691,980	\$ 654,744	\$ 50,802,705
2014-15	2,751,264	2,865,850	10,012,966	2,124,587	10,961,298	13,878,690	958,043	4,693,677	2,317,504	3,730,221	583,948	54,878,048
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

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			
2015-16	\$ 619,667	\$ 14,811,290	\$	\$ 32,254,084	\$ 5,570,865	\$ 157,597	\$ 495,169	\$ 2,690,261	\$ 56,598,933		
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		

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
2015-16	\$ 3,146,419	\$ 3,019,965	\$ 9,877,258	\$ 1,055,334	\$ 10,569,884	\$ 57,410,224	\$ 914,479	\$ 3,503,080	\$ -	\$ 60,434	\$ 3,676,266	\$ 93,233,343
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

(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
2015-16	\$ 30,520,943	\$ 5,570,865	\$ 67,852	\$ 45,052	\$ 138,691	\$ 1,026,242	\$ 528,163	\$ 3,878,644	\$ 60,314,143	\$ 102,090,595
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

(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), (4)

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
2015-16	\$ 32,710,717	\$ 30,332,337	92.73%	\$ 1,192,584	\$ 31,524,921	96.37%	\$ 4,188,906	12.81%
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 8 years available.

(4) Only 4 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
2015-16	\$ 1,856,050,530	\$ 408,020,785	\$ 122,528,345	\$ 32,109,973	\$ 34,320,660	\$ 2,180,583,683	\$ 4,633,613,976
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	1,466,488,034	320,440,992	241,866,889	27,474,402	40,590,687	84,615,637	2,181,476,641

(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
2015-16	\$ 0.60	\$ 1.56	\$ 1.41	\$ 2.85	0.60
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

(1) Per \$100 of assessed value.

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			
2015-16	41,452	\$ 4,633,614	\$ 71,308,003	\$ -	71,308,003	1.54%	\$ 1,720
2014-15	41,452	4,099,096	72,009,743	-	72,009,743	1.76%	1,737
2013-14	41,452	3,390,588	75,113,615	-	75,113,615	2.22%	1,812
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

(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
2015-16 (2)	\$ 3,676,266	\$ 93,233,343	3.94%
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%

(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, 2016

Legal Debt Limit		
10% of Assessed Value of Taxable Real Estate (Including public utility real estate)	\$	329,418,559
Less: Net bonded debt		<u>(71,308,003)</u>
Legal margin for creation of additional debt	\$	258,110,556

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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 Honorable Members of
the Board of Supervisors
County of 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, 2016, 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 10, 2017. Our report includes a reference to other auditors who audited the financial statements of the Public Service Authority (PSA) and the Industrial Development Authority (IDA), 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 the 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 the County of Wise, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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-Faucher, P.C. Associates

Blacksburg, Virginia
February 10, 2017

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the County of Wise, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Wise, Virginia's major federal programs for the year ended June 30, 2016. The County of Wise, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 the County of Wise, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2016.

Report on Internal Control over Compliance

Management of the 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 the 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 the Uniform Guidance, 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 the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
February 10, 2017

County of Wise, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

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	0950114, 0950115	\$ 33,061
Temporary Assistance for Needy Families	93.558	0400115, 0400116	748,380
Refugee and Entrant Assistance - State Administered Programs	93.566	0500115, 0500116	709
Low-Income Home Energy Assistance	93.568	0600415, 0600416	74,078
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760115, 0760116	99,756
Chafee Education and Training Vouchers Program	93.599	9160114, 9160115	12,149
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900115, 0900116	3,251
Foster Care - Title IV-E	93.658	1100115, 1100116	557,136
Adoption Assistance	93.659	1120115, 1120116	667,847
Social Services Block Grant	93.667	1000115, 1000116	542,114
Chafee Foster Care Independence Program	93.674	9150115, 9150116	16,790
Children's Health Insurance Program	93.767	0540115, 0540116	24,285
Medical Assistance Program	93.778	1200115, 1200116	<u>740,283</u>
Total Department of Health and Human Services			<u>\$ 3,519,839</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	\$ 158,062
Department of Education: National School Lunch Program	10.555	40623	<u>1,426,318</u> \$ 1,584,380
Virginia Department of Agriculture & Consumer Services: Summer Food Service Program for Children (Note C)	10.559	Not applicable	974
School Breakfast Program	10.553	40591	<u>350,061</u> \$ 1,935,415
Schools and Roads Program - Grants to States	10.665	43841	57,908
Department of Social Services: State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	0010115, 0010116, 0040115, 0040116	<u>\$ 583,713</u>
Total Department of Agriculture			<u>\$ 2,577,036</u>
National Aeronautics and Space Administration:			
Direct payments:			
NASA - Wise County DEVELOP (Science)	43.001	Not applicable	<u>\$ 898,507</u>
Department of Housing and Urban Development: Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	50790	<u>\$ 158,640</u>
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Violence Against Women Formula Grants	16.588	14WFAX0038	\$ 24,950
Crime Victim Assistance	16.575	unavailable	<u>43,993</u>
Total Department of Justice			<u>\$ 68,943</u>
Department of Defense:			
Direct payments:			
JROTC	12.XXX	unavailable	<u>\$ 52,274</u>
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	154AL-2015-55318-6057	<u>\$ 27,815</u>

County of Wise, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2016

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
Department of Education:			
Adult Education - Basic Grants to States	84.002	42801	\$ 283,114
Title I Grants to Local Educational Agencies	84.010	42901	2,057,310
Special Education Cluster:			
Special Education: Grants to States	84.027	43071	\$ 1,192,906
Special Education: Preschool Grants	84.173	62521	<u>38,583</u>
Career and Technical Education Basic Grants to States	84.048	61095, 61159	1,231,489
Rural Education	84.358	43481	120,973
Supporting Effective Instruction State Grant	84.367	61480	<u>102,536</u>
			<u>411,741</u>
Total Department of Education			<u>\$ 4,207,163</u>
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	52743	<u>\$ 126,443</u>
Total Expenditures of Federal Awards			<u>\$ 11,636,660</u>

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, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 net 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 the Uniform Guidance and/or 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
- (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, 2016, 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	\$ 4,357,946
Wise Development Fund	898,507
Capital Projects Fund	158,640
Less: Payment in lieu of taxes	<u>(31,193)</u>
Total primary government:	<u>\$ 5,383,900</u>
Component Unit School Board:	
School Operating Fund	\$ 4,911,495
School Cafeteria Fund	1,935,415
Less: QSCB interest subsidy	<u>(594,150)</u>
Total component unit school board:	<u>\$ 6,252,760</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 11,636,660</u>

County of Wise, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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 2 CFR section, 200.516(a)? No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
10.553/10.555/10.559	Child Nutrition Cluster
93.558	Temporary Assistance for Needy Families

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? Yes

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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