

TOWN OF BIG STONE GAP, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2010

TOWN OF BIG STONE GAP, VIRGINIA
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TOWN OF BIG STONE GAP, VIRGINIA
TOWN OFFICIALS

June 30, 2010

TOWN COUNCIL:

Nancy Bailey, Mayor
Greg Dalton, Vice-Mayor
Freddie Allison
Edward Giles
Crystal Lyke
Leonard Rogers
Gary Johnson

TOWN OFFICERS:

Pat Murphy, Town Manager
Davey Horner, Chief of Police
Judy Hall, Town Clerk/Treasurer

TOWN LEGAL COUNSEL:

Charles Bledsoe, Attorney at Law

Town of Big Stone Gap



Management Discussion and Analysis

November 22, 2010

To the Honorable Mayor and Town Council
To the Citizens of the Town of Big Stone Gap

On behalf of the Town Administration for the Town of Big Stone Gap, we offer the readers of the Town's financial statements this narrative overview and analysis of the Town for the fiscal year ended June 30, 2010.

Financial Highlights

- The assets of the Town exceeded its liabilities at the end of the fiscal year by \$ 18,215,545 (net assets). Of this amount, \$ 16,661,830 can be used to meet the Town's ongoing obligations.
- At June 30, 2010, the Town reported combined ending fund balances of \$ 1,857,728, an increase of \$ 575,185 in comparison with the prior year. Approximately 100 % of this total amount is available for spending at the Town Council's discretion. (unreserved fund balance).
- As of June 30, 2010, the General Fund had a total Fund Balance of \$ 1,783,403.
- The Town of Big Stone Gap's total debt increased by \$ 3,820,091 during the fiscal year. The total debt outstanding as of June 30, 2010 was \$ 19,103,379.
- As of June 30, 2010, the Town's Legal Debt Margin was \$ 17,329,822.
- The Water/Sewer Proprietary Fund had an increase in Net Assets for the year of \$ 1,814,767.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements are comprised of three components:

- Government – wide financial statements
- Fund financial statements
- Notes to the financial statements

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

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

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

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods, such as uncollected taxes.

The Government – wide financial statements include not only the Town of Big Stone Gap (primary government), but also its component units:

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. All of the funds of the Town of Big Stone Gap can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Government – Wide Financial Analysis

Summary of Statement of Net Assets – June 30, 2010

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Current & other assets	\$ 2,388,528	\$ 2,344,619	\$ 4,733,147
Capital assets	\$ 4,265,262	\$ 28,951,765	\$ 33,217,027
Other noncurrent assets	\$ -0-	\$ 860,000	\$ 860,000
Total Assets	\$ 6,653,790	\$ 32,156,384	\$ 38,810,174
Current & other liabilities	\$ 566,545	\$ 1,576,971	\$ 2,143,516
Long-term liabilities	\$ 181,411	\$ 18,269,702	\$ 18,451,113
Total Liabilities	\$ 747,956	\$ 19,846,673	\$ 20,594,629
Net Assets:			
Invested in Capital assets (Net of related debt)	\$ 4,179,588	\$ 10,708,386	\$ 14,887,974
Restricted	\$ -0-	\$ -0-	\$ -0-
Unrestricted	\$ 1,726,246	\$ 1,601,325	\$ 3,327,571
Total Net Assets	\$ 5,905,834	\$ 12,309,711	\$ 18,215,545

Net assets serve as a useful indicator of a government’s financial position. The Town’s combined net assets total \$ 18,215,545. By far, the largest portion of this represents investments in capital assets, such as land, buildings, machinery, and equipment. Capital assets net of related debt total \$ 14,887,974. The Town of Big Stone Gap uses these capital assets to provide services to citizens; and thus these assets are not available for future spending. Although the Town’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities. Net assets include \$14,423 for encumbrances and \$ 18,201,122 is unrestricted and may be used to meet the Town’s ongoing obligations to citizens and creditors.

Governmental Activities – Governmental activities increased the Town’s net assets by \$ 514,280. Key elements of this increase are as follows:

	Governmental Activities Year Ended June 30, 2010
Revenues:	
Program Revenues:	
Charges for Services	\$ 441,755
Operating Grants and Contributions	\$ 1,127,046
Capital Grants and Contributions	\$ 25,167
General Revenues:	
Property Taxes	\$ 990,112
Other Local Taxes	\$ 1,832,613
Unrestricted Intergovernmental Revenue	\$ 62,828
Unrestricted Investment Earnings	\$ 7,805
Other	<u>\$ 354,922</u>
Total Revenues	\$ 4,842,248

Expenses:	
General Government	\$ 853,099
Public Safety	\$ 1,794,103
Public Works	\$ 1,156,339
Health and Welfare	\$ 27,639
Parks, Recreation, Culture	\$ 483,823
Community Development	\$ 8,907
Interest on Long Term Debt	\$ 3,727
Non-departmental	\$ 331
Total Expenses	\$ 4,327,968
Increase (Decrease) in Net Assets	\$ 514,280

Included in the Total Expenses are non-cash items including depreciation.

Fund Financial Statements

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

Governmental Fund Highlights:

The largest sources of revenue in the General Fund for the year are as follows:

	<u>2010</u>	<u>2009</u>
General Property Taxes	\$ 992,148	\$ 818,375
Other Local Taxes	\$ 1,832,613	\$ 1,750,302
Permits, Privilege Fees and Regulatory Licenses	\$ 3,184	\$ 4,698
Fines and Forfeitures	\$ 32,447	\$ 41,271
Revenue From Use of Money and Property	\$ 16,401	\$ 16,159
Charges for Services	\$ 441,755	\$ 471,608
Miscellaneous	\$ 147,254	\$ 9,889
Recovered Costs	\$ 126,919	\$ 124,865
Inter-Governmental	\$ 1,215,041	\$ 1,323,670

The Town’s assessed value of real estate for the year was \$ 173,298,221. The real estate tax rate is \$.44 per \$ 100 of assessed value. For the year, the percent of levy collected was 93.45%

The Town’s business type activity is the Water/Sewer Proprietary Fund. During the year this fund had net income (change in net assets) of \$ 1,814,767. Cash and cash equivalents increased by \$ 558,540 to \$ 1,992,433.

The Town’s General Fund Final Budget to Actual comparison for the year was as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u> <i>Favorable (Unfav.)</i>
Total Revenues	\$ 5,413,829	\$ 4,830,669	\$ (583,160)
Total Expenses	<u>\$ 5,413,829</u>	<u>\$ 4,255,484</u>	\$ 1,158,345
Excess of Revenues Over Expenses	\$ -0-	\$ 575,185	

Additional information may be obtained by contacting the Town Manager, Mr. Pat Murphy or the Town Clerk/Treasurer, Ms. Judy Hall at the Town of Big Stone Gap offices 276-523-0115.

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REPORT OF INDEPENDENT AUDITORS

The Honorable Members of the Town Council
Town of Big Stone Gap, Virginia
Big Stone Gap, VA 24219

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Big Stone Gap, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audit of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Big Stone Gap, Virginia as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2010 on our consideration of the Town of Big Stone Gap'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 the report is to describe the scope of our testing on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 7 and the other required supplementary information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The information listed as other supplementary information and compliance section information in the accompanying table of contents, including the Schedule of Expenditures of Federal Awards as required by U. S. Office of Management and Budget Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The information included in the introductory and statistical sections listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.


THROWER, BLANTON & ASSOCIATES, P.C.
Certified Public Accountants

November 22, 2010

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Members of the Town Council
Town of Big Stone Gap, Virginia
Big Stone Gap, VA 24219

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Big Stone Gap, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the Town of Big Stone Gap, Virginia's basic financial statements and have issued our report thereon dated November 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audit of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

In planning and performing our audit for the year ended June 30, 2010, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Town's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Big Stone Gap, Virginia's financial statements are free of 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 statements 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*.

We noted certain matters that we reported to management of the Town of Big Stone Gap, Virginia, in a separate letter dated November 22, 2010.

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


THROWER, BLANTON & ASSOCIATES, P.C.
Certified Public Accountants
November 22, 2010

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Members of the Town Council
Town of Big Stone Gap
Big Stone Gap, VA 24219

Compliance

We have audited the compliance of the Town of Big Stone Gap, Virginia, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The Town's major federal programs are identified in the summary of Federal Awards section of the accompanying supplemental schedules. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town'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. Our audit does not provide a legal determination on the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

The management of the Town of Big Stone Gap is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town'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.

The Honorable Members of the Town Council
Town of Big Stone Gap
Big Stone Gap, Virginia 24219
Page 2

(Independent Auditor's report on Compliance with
Requirements Applicable to Each Major Program and
Internal Control Over Compliance in Accordance with
OMB Circular A-133)

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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


THROWER, BLANTON & ASSOCIATES, P.C.
Certified Public Accountants

November 22, 2010

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REPORT ON COMPLIANCE WITH COMMONWEALTH OF VIRGINIA LAWS, REGULATIONS, CONTRACTS, AND GRANTS

The Honorable Members of the Town Council
Town of Big Stone Gap, Virginia
Big Stone Gap, VA 24219

We have audited the financial statements of the Town of Big Stone Gap, Virginia, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 22, 2010.

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 Audit of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with Commonwealth of Virginia laws, regulations, contracts, and grants applicable to the Town of Big Stone Gap, Virginia, is the responsibility of the Town's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Town of Big Stone Gap's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

Code of Virginia

- * Budget and Appropriation Laws
- * Cash and Investment Laws
- * Conflicts of Interest
- * Retirement Systems
- * Debt Provisions
- * Procurement
- * Unclaimed Property

State Agency Requirements

- Highway Maintenance Funds

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Town of Big Stone Gap, Virginia, had not complied, in all material respects, with those provisions.

This report is intended solely for the information and use of the Town Council, management, the Auditor of Public Accounts, and applicable state agencies, and is intended to be, and should not be, used by anyone other than these specified parties.


THROWER, BLANTON & ASSOCIATES, P.C.
Certified Public Accountants

November 22, 2010

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2010

EXHIBIT 1

	Primary Government		Total
	Governmental Activities	Business Type Activities	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,738,805	\$ 686,905	\$ 2,425,710
Receivables:			
Taxes	119,310	-	119,310
Accounts	37,468	311,748	349,216
Other	54,413	-	54,413
Prepaid expenses	23,796	10,611	34,407
Deferred bond expense	-	29,827	29,827
Due from other governmental units	166,549	-	166,549
Internal Balances	-	-	-
Restricted Assets:			
Cash	248,187	1,305,528	1,553,715
Capital assets, depreciable, net	1,674,666	23,774,962	25,449,628
Capital assets, non-depreciable	2,590,596	6,036,803	8,627,399
TOTAL ASSETS	\$ 6,653,790	\$32,156,384	\$ 38,810,174
 <u>LIABILITIES</u>			
Accounts payable	\$ 186,554	\$ 374,368	\$ 560,922
Accrued liabilities and wages	80,138	32,747	112,885
Payable From Restricted Assets:			
Deposits	-	102,950	102,950
Drug task force reserve	156,634	-	156,634
Deferred revenue	-	-	-
Matured revenue interest	-	101,527	101,527
OPEB liability	34,189	14,448	48,637
Long-term liabilities			
Due within one year	27,123	886,798	913,921
Due in more than one year	58,551	18,216,581	18,275,132
Compensated absences			
Due within one year	81,907	64,133	146,040
Due in more than one year	122,860	53,121	175,981
Total Liabilities	747,956	19,846,673	20,594,629
 <u>NET ASSETS</u>			
Invested in capital assets, net of related debt	4,179,588	10,708,386	14,887,974
Restricted	-	-	-
Unrestricted	1,726,246	1,601,325	3,327,571
Total Net Assets	\$ 5,905,834	\$12,309,711	\$ 18,215,545

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF ACTIVITIES
 June 30, 2010

EXHIBIT 2

FUNCTIONS/PROGRAMS:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 853,099	\$ -	\$ -	\$ -	\$ (853,099)	\$ -	\$ (853,099)
Public safety	1,794,103	74,333	494,328	-	(1,225,442)	-	(1,225,442)
Public works	1,156,339	299,240	627,718	21,667	(207,714)	-	(207,714)
Health and welfare	27,639	-	-	-	(27,639)	-	(27,639)
Parks, recreation, and cultural	483,823	68,182	5,000	-	(410,641)	-	(410,641)
Community development	8,907	-	-	3,500	(5,407)	-	(5,407)
Interest on long-term debt	3,727	-	-	-	(3,727)	-	(3,727)
Non-departmental	331	-	-	-	(331)	-	(331)
Total Governmental Activities	4,327,968	441,755	1,127,046	25,167	(2,734,000)	-	(2,734,000)
Business-Type Activities:							
Water	2,554,898	2,448,059	-	805,820	-	698,981	698,981
Wastewater	1,422,626	1,384,341	-	1,125,952	-	1,087,667	1,087,667
Total Business-Type Activities	3,977,524	3,832,400	-	1,931,772	-	1,786,648	1,786,648
TOTAL PRIMARY GOVERNMENT	\$ 8,305,492	\$ 4,274,155	\$ 1,127,046	\$ 1,956,939	\$ (2,734,000)	\$ 1,786,648	\$ (947,352)

General Revenues:

Property taxes	990,112	-	990,112
Local sales & use tax	397,989	-	397,989
Utility tax	120,987	-	120,987
Business license tax	255,043	-	255,043
Communication taxes	197,280	-	197,280
Motor vehicle license	61,221	-	61,221
Bank stock tax	94,393	-	94,393
Cigarette tax	35,155	-	35,155
Hotel and motel room tax	13,038	-	13,038
Restaurant food tax	497,286	-	497,286
Coal road improvement tax	160,221	-	160,221
Unrestricted intergovernmental revenue	62,828	-	62,828
Unrestricted investment earnings	7,805	28,119	35,924
Rental of Town property	8,596	-	8,596
Gain on sale of capital assets	-	-	-
Recovered Costs	126,919	-	126,919
Other	219,407	-	219,407
Total general revenues and transfers	3,248,280	28,119	3,276,399
Change in net assets	514,280	1,814,767	2,329,047
NET ASSETS - JULY 1	5,391,554	10,494,944	15,886,498
NET ASSETS - JUNE 30	\$ 5,905,834	\$ 12,309,711	\$ 18,215,545

TOWN OF BIG STONE GAP, VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
Year Ended June 30, 2010

EXHIBIT 3

	General Fund	Special Revenue Fund	Total
ASSETS			
Cash and cash equivalents	\$ 1,664,613	\$ 74,192	\$ 1,738,805
Receivables:			
Taxes	119,310	-	119,310
Accounts	23,720	133	23,853
Other	54,413	-	54,413
Prepaid expenses	23,796	-	23,796
Due from other governmental units	166,549	-	166,549
Restricted Assets:			
Cash	248,187	-	248,187
Total Assets	<u>\$ 2,300,588</u>	<u>\$ 74,325</u>	<u>\$ 2,374,913</u>
LIABILITIES			
Accounts payable	\$ 186,554	\$ -	\$ 186,554
Accrued payroll and related liabilities	80,138	-	80,138
Payable From Restricted Assets:			
Drug task force reserve	156,634	-	156,634
Due to other funds	-	-	-
Deferred revenue	93,859	-	93,859
Total Liabilities	<u>517,185</u>	<u>-</u>	<u>517,185</u>
FUND BALANCES			
Reserved for			
Encumbrances	14,423	-	14,423
Unreserved:			
Undesignated	1,768,980	74,325	1,843,305
Total Fund Balances	<u>1,783,403</u>	<u>74,325</u>	<u>1,857,728</u>
Total Liabilities and Fund Balances	<u>\$ 2,300,588</u>	<u>\$ 74,325</u>	<u>\$ 2,374,913</u>
Total Fund Balances	\$ 1,857,728		
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	4,265,262		
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	107,474		
Other liabilities are not required to be paid out of current financial resources and, therefore, are not reported in the governmental funds.	(238,956)		
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(85,674)</u>		
Net Assets of Governmental Activities	<u>\$ 5,905,834</u>		

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
Year Ended June 30, 2010

EXHIBIT 4

	<u>GOVERNMENTAL FUNDS</u>		<u>TOTAL</u>
	<u>General</u>	<u>Special Revenue</u>	<u>June 30, 2010</u>
REVENUES:			
General property taxes	\$ 992,148	\$ -	\$ 992,148
Other local taxes	1,832,613	-	1,832,613
Permits, privilege fees and regulatory licenses	3,184	-	3,184
Fines and forfeitures	32,447	-	32,447
Revenue from use of money and property	16,291	110	16,401
Charges for services	439,753	2,002	441,755
Miscellaneous	147,254	-	147,254
Recovered costs	126,919	-	126,919
Intergovernmental	1,215,041	-	1,215,041
Total Revenues	<u>4,805,650</u>	<u>2,112</u>	<u>4,807,762</u>
EXPENDITURES:			
Current:			
General government administration	794,343	-	794,343
Public safety	1,693,280	-	1,693,280
Public works	1,209,698	-	1,209,698
Health and welfare	27,639	-	27,639
Parks, recreation and cultural	491,009	-	491,009
Community development	8,907	-	8,907
Non-departmental	331	-	331
Debt Service:			
Principle retirement	26,550	-	26,550
Interest	3,727	-	3,727
Total Expenditures	<u>4,255,484</u>	<u>-</u>	<u>4,255,484</u>
Excess (Deficiency) of Revenues Over Expenditures	550,166	2,112	552,278
OTHER FINANCING SOURCES (USES):			
Sale of property	-	-	-
Insurance recoveries	22,907	-	22,907
Transfers in (out)	-	-	-
Total Other Financing Sources (Uses)	22,907	-	22,907
Net Change in Fund Balance	573,073	2,112	575,185
FUND BALANCE AT JULY 1	<u>1,210,330</u>	<u>72,213</u>	<u>1,282,543</u>
FUND BALANCE AT JUNE 30	<u>\$ 1,783,403</u>	<u>\$ 74,325</u>	<u>\$ 1,857,728</u>

TOWN OF BIG STONE GAP, VIRGINIA
RECONCILIATION OF THE REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

EXHIBIT 5

	<u>General Fund</u>
Net Change in Fund Balance Governmental Fund:	\$ 575,185
Amounts reported for governmental activities in the statement of activities are different because:	
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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(57,573)
Governmental funds report the sale of fixed assets as equal to the proceeds received from the sale. The amount required to adjust for the basis remaining on the date of sale.	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	11,579
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	26,550
Some expenses reported in the statement of activities, such as compensated absences, other post employment benefits and accrued interest, do not require the use of current financial resources and, therefore, are not required as expenditures in governmental funds.	<u>(41,461)</u>
Change in Net Assets of Governmental Activities	<u>\$ 514,280</u>

TOWN OF BIG STONE GAP, VIRGINIA
BALANCE SHEET
PROPRIETARY FUNDS
June 30, 2010

EXHIBIT 6

	Water Fund 2010	Sewer Fund 2010	TOTAL June 30, 2010
<u>ASSETS</u>			
Cash and cash equivalents	\$ (81,850)	\$ 768,755	\$ 686,905
Receivables (Net of Allowance for Uncollectibles):			
Accounts	203,314	108,434	311,748
Accrued interest	-	-	-
Due from other funds	-	1,581,205	1,581,205
Prepaid expenses	7,954	2,657	10,611
Deferred bond expense	23,862	5,965	29,827
Restricted Assets:			
Cash	930,523	375,005	1,305,528
Land	810,000	50,000	860,000
Capital assets, net	16,373,748	12,578,017	28,951,765
TOTAL ASSETS	\$18,267,551	\$ 15,470,038	\$ 33,737,589
 <u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 157,281	\$ 217,087	\$ 374,368
Accrued wages and liabilities	22,277	10,470	32,747
Payable From Restricted Assets:			
Customer deposits	102,950	-	102,950
Due to other funds	1,581,205	-	1,581,205
Accrued interest payable	80,859	20,668	101,527
Bonds and notes payable	298,921	587,877	886,798
Compensated absences	45,434	18,699	64,133
Total Current Liabilities	2,288,927	854,801	3,143,728
Noncurrent liabilities:			
Bonds and notes payable	11,136,331	7,080,250	18,216,581
OPEB liability	9,790	4,658	14,448
Compensated absences	30,289	22,832	53,121
Total Noncurrent Liabilities	11,176,410	7,107,740	18,284,150
Total Liabilities	13,465,337	7,962,541	21,427,878
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	5,748,496	4,959,890	10,708,386
Restricted	-	-	-
Unrestricted	(946,282)	2,547,607	1,601,325
Total Net Assets	4,802,214	7,507,497	12,309,711
TOTAL LIABILITIES AND NET ASSETS	\$18,267,551	\$ 15,470,038	\$ 33,737,589

TOWN OF BIG STONE GAP, VIRGINIA
ENTERPRISE FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2010

EXHIBIT 7

	<u>Water Fund</u> <u>June 30,</u> <u>2010</u>	<u>Sewer Fund</u> <u>June 30,</u> <u>2010</u>	<u>TOTAL</u> <u>June 30,</u> <u>2010</u>
OPERATING REVENUES:			
Water rents	\$ 2,420,713	\$ -	\$ 2,420,713
Sewer rents	-	1,383,805	1,383,805
Sale of labor and materials	12,992	536	13,528
Water and sewer tap fees	12,305	-	12,305
Miscellaneous	<u>2,049</u>	<u>-</u>	<u>2,049</u>
Total Operating Revenues	<u>2,448,059</u>	<u>1,384,341</u>	<u>3,832,400</u>
OPERATING EXPENSES:			
Personal services	653,938	346,377	1,000,315
Fringe benefits	225,969	115,026	340,995
Contractual services	140,458	104,659	245,117
Other charges	653,810	230,672	884,482
Depreciation	<u>468,739</u>	<u>560,998</u>	<u>1,029,737</u>
Total Operating Expenses	<u>2,142,914</u>	<u>1,357,732</u>	<u>3,500,646</u>
Operating Income (Loss)	<u>305,145</u>	<u>26,609</u>	<u>331,754</u>
NON-OPERATING REVENUES (EXPENSES) :			
Grant revenue	784,765	1,125,952	1,910,717
Interconnect revenue	21,055	-	21,055
Interest income	21,991	6,128	28,119
Interest expense	<u>(411,984)</u>	<u>(64,894)</u>	<u>(476,878)</u>
Total Non-Operating Revenue (Expenses)	<u>415,827</u>	<u>1,067,186</u>	<u>1,483,013</u>
CHANGE IN NET ASSETS	720,972	1,093,795	1,814,767
NET ASSETS AT JULY 1	<u>4,081,242</u>	<u>6,413,702</u>	<u>10,494,944</u>
NET ASSETS AT JUNE 30	<u>\$ 4,802,214</u>	<u>\$ 7,507,497</u>	<u>\$12,309,711</u>

TOWN OF BIG STONE GAP, VIRGINIA
ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2010

EXHIBIT 8

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 2,402,790	\$ 1,375,619	\$ 3,778,409
Cash payments to suppliers for goods and services	(913,370)	(303,854)	(1,217,224)
Cash payments to employees for services	(644,475)	(338,133)	(982,608)
Other operating income	27,346	536	27,882
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>872,291</u>	<u>734,168</u>	<u>1,606,459</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Increase (decrease) in customer deposits	5,100	-	5,100
(Increase) decrease in due from other funds/governments	91,610	17,278	108,888
Increase (decrease) in due to other funds	-	-	-
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>96,710</u>	<u>17,278</u>	<u>113,988</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
(Increase) decrease in capital assets	(377,500)	(4,382,361)	(4,759,861)
(Increase) decrease in construction in progress	(1,245,665)	(513,617)	(1,759,282)
Principle paid on revenue bond maturities and equipment contracts	(268,867)	(382,611)	(651,478)
Principle advances from bond and note proceeds	684,151	3,787,417	4,471,568
Contributed capital and Grant revenue	805,820	1,125,952	1,931,772
Interest paid on revenue bonds and equipment contracts	(377,046)	(45,699)	(422,745)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(779,107)</u>	<u>(410,919)</u>	<u>(1,190,026)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	21,991	6,128	28,119
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>21,991</u>	<u>6,128</u>	<u>28,119</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	211,885	346,655	558,540
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>636,788</u>	<u>797,105</u>	<u>1,433,893</u>
Cash and Cash Equivalents at June 30, 2010			
Unrestricted	\$ (81,850)	\$ 768,755	\$ 686,905
Restricted	930,523	375,005	1,305,528
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 848,673</u>	<u>\$ 1,143,760</u>	<u>\$ 1,992,433</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 305,145	\$ 26,609	\$ 331,754
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	468,739	560,998	1,029,737
Provision for compensated absences	9,794	5,238	15,032
Change in Assets and Liabilities:			
(Increase) decrease in accounts receivable	(17,923)	(8,186)	(26,109)
Increase (decrease) in accounts payable	100,851	142,406	243,257
Increase (decrease) in wages payable	(331)	3,006	2,675
Increase (decrease) in OPEB liability	9,790	4,658	14,448
(Increase) decrease in prepaid expenses	(3,774)	(561)	(4,335)
TOTAL ADJUSTMENTS	<u>567,146</u>	<u>707,559</u>	<u>1,274,705</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 872,291</u>	<u>\$ 734,168</u>	<u>\$ 1,606,459</u>

Disclosure of Accounting Policy - For purposes of the statement of cash flows, the water and sewer funds consider all highly liquid investments (including restricted maturity of three months or less) when purchased to be cash equivalents.

June 30, 2010

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Big Stone Gap, Virginia, conform to accounting principles generally accepted in the United States of America as applicable to government units. The following is a summary of the more significant accounting policies:

Reporting Entity

The Town of Big Stone Gap, Virginia is a municipality governed by an elected seven-member council. The reporting entity of the Town has been determined in accordance with accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board (GASB) and the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. In addition, the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates. As required by those principles, these financial statements present the Town of Big Stone Gap, Virginia (the primary government).

Financial Reporting Model

GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (Statement) which established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. Because of the significant changes in financial reporting under the Statement, implementation was phased in (based on the size of the government) beginning with fiscal year ended 2002 (for larger governments). As part of the Statement, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, traffic signals, etc.) This requirement permits an optional delay for implementation to the fiscal year ending in 2008. The Town implemented the basic model in fiscal year 2005 and completed the implementation of the infrastructure-related portion of the Statement in fiscal year 2008.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the 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.

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

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

June 30, 2010

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis 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.

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 Town considers revenues to be available if they are collected within 45 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, related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, license, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue fund* accounts for the operations of the Community Development Fund.

The Town reports the following major proprietary funds:

The *water operation fund* provides drinking water and maintains the facilities necessary to provide this service. Its primary revenue source is user charges and fees.

The *sewer operation fund* provides maintenance to the sewer lines and pump stations and derives the majority of its revenue through user charges and fees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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

June 30, 2010

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Special Revenue Funds

Special revenue funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

The special revenue fund consists of the Community Development Fund.

Budgeting and Budgetary Accounting

Budgets are employed by the primary government as a financial control device from the General, Special Revenue, and Proprietary Funds. An annual appropriated budget is legally adopted for the General Fund through ordinances passed by Town Council.

Annual budgets prepared by management are utilized for the Special Revenue and the Proprietary Funds. Therefore, the Special Revenue and Proprietary Funds are not included in the budget and actual comparisons.

For the General Fund, the Town Manager is authorized to transfer budgeted amounts between line items of departments. Revisions that alter the total appropriations for a department must be approved by Town Council. Therefore, the level of control at which expenditures may not exceed appropriations is the total expenditure level of each department. Unencumbered appropriations lapse at year-end.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the General and Special Revenue Funds and component units. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Investments

No investments existed as of June 30, 2010. Certificates of Deposit with maturities of three months or greater are recorded on Exhibit 1 under the title Cash and cash equivalents and treated as cash equivalents.

Property, Plant, and Equipment

All property, plant, and equipment are valued at cost or estimated cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized.

June 30, 2010

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Depreciation for fixed assets has been provided over the following estimated useful lives using the Straight-Line Method:

	<u>All Funds</u>
Water/Sewer System	25
Buildings	40
Improvements other than buildings	25
Infrastructure	30-50
Equipment	3-20

Cash Equivalents

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

2. **ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS**

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$143,500 at June 30, 2010, and is composed of the following:

General Fund:	
Allowance for uncollectible property taxes	\$ 60,740
Allowance for uncollectible garbage fees	<u>5,852</u>
Total General Fund	<u>\$ 66,592</u>
Water and Sewer Fund:	
Allowance for uncollectible water and sewer fee billings	<u>\$ 76,908</u>
Total Water and Sewer Fund	<u>\$ 76,908</u>

3. **DEPOSITS AND INVESTMENTS**

Deposits

All cash of the Town and its component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 *et seq.* of the *Code of Virginia*, or covered by federal depository insurance.

Investments

Investment Policy:

In accordance with the Code of Virginia and other applicable laws, including regulations, the Town permits investments in U. S. Treasury Securities, U. S. Agency Securities, prime quality commercial paper, non-negotiable certificates of deposit and time deposits of Virginia banks, negotiable certificates of deposit of domestic banks, banker's acceptances with domestic banks, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements collateralized by the U. S. Treasury/Agency Securities, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Pool (the Virginia LGIP, a 2a-7 like pool).

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

Page 5

June 30, 2010

3. **DEPOSITS AND INVESTMENTS (Continued)**

Concentration of Credit Risk:

Deposits and investments held by any single issuer that exceeded 5% are as follows:

Powell Valley National Bank	49%
Wachovia Bank	25%
Branch Bank and Trust	13%
New Peoples Bank	13%

Custodial Credit Risk:

As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. As of June 30, 2010, all of the Town's investments are held in a bank's trust department in the Town's name.

The above items are reflected in the financial statements as follows:

Deposits and investments:

Cash on hand	\$ 900
Deposits	1,699,567
Investments	<u>2,278,958</u>
	<u>\$3,979,425</u>

Statement of net assets:

Cash and cash equivalents	\$ 607,638
Investments	1,818,072
Restricted cash and cash equivalents	<u>1,553,715</u>
	<u>\$3,979,425</u>

Restricted cash and cash equivalents consist primarily of certificates of deposit.

4. **PROPERTY TAXES RECEIVABLE**

Property is assessed at its value on January 1st. Property taxes attach as an enforceable lien on property as of January 1st. Taxes are payable on December 5th. The Town of Big Stone Gap bills and collects its own property taxes.

5. **DUE FROM OTHER GOVERNMENTAL UNITS**

Commonwealth of Virginia:			
Local sales tax		\$ 99,865	
Communication tax		<u>17,059</u>	
Total Commonwealth of Virginia			\$116,924
Wise County:			
Coal haul road taxes		\$ 46,836	
Court fines/transfer fees		<u>2,789</u>	
Total Wise County			<u>49,625</u>
Total Due From Other Governmental Units			<u>\$166,549</u>

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

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June 30, 2010

6. **INTERFUND OBLIGATIONS**

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Water Fund	\$ -0-	-0-
Sewer Fund	-0-	-0-
Special Revenue Fund	-0-	-0-
Water Fund:		
General Fund	-0-	-0-
Sewer Fund	-0-	1,581,205
Sewer Fund:		
Water Fund	1,581,205	-0-
General Fund	-0-	-0-
Special Revenue Fund:		
General Fund	-0-	-0-
Totals	<u>\$1,581,205</u>	<u>\$1,581,205</u>

7. **CAPITAL ASSETS**

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

Governmental activities:	
General government	\$ 56,302
Public safety	103,471
Public works	106,011
Parks, recreation and cultural	23,141
Total depreciation expense – governmental activities	<u>\$ 288,925</u>
Business-type activities:	
Water and sewer	<u>\$ 1,029,737</u>
Total depreciation expense – business-type activity	<u>\$ 1,029,737</u>

8. **CHANGES IN CAPITAL ASSETS**

The following is a summary of changes in depreciable capital assets:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, depreciable				
Buildings and improvements	\$2,240,157	\$ 10,642	\$ -	\$2,250,799
Infrastructure	3,751,125	180,767	-	3,931,892
Equipment	<u>2,474,651</u>	<u>57,730</u>	<u>(115,302)</u>	<u>2,417,079</u>
Total Capital Assets, depreciable	<u>8,465,933</u>	<u>249,139</u>	<u>(115,302)</u>	<u>8,599,770</u>
Less accumulated depreciation for				
Buildings and improvements	\$1,234,064	\$ 72,450	\$ -	\$1,306,514
Infrastructure	3,636,304	69,536	-	3,705,840
Equipment	<u>1,881,113</u>	<u>146,939</u>	<u>(115,302)</u>	<u>1,912,750</u>
Total accumulated depreciation	<u>6,751,481</u>	<u>288,925</u>	<u>(115,302)</u>	<u>6,925,104</u>
Total Capital Assets, depreciable, net	<u>\$1,714,452</u>	<u>\$ (39,786)</u>	<u>\$(-)</u>	<u>\$1,674,666</u>

June 30, 2010

8. *CHANGES IN CAPITAL ASSETS (Continued)*

Business Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, depreciable				
Buildings	\$ 214,200	\$ -	\$ -	\$ 214,200
Improvements	30,658,959	6,380,361	-	37,039,320
Equipment	<u>1,258,627</u>	<u>-</u>	<u>(103,136)</u>	<u>1,155,491</u>
Total Capital Assets, depreciable	<u>32,131,786</u>	<u>6,380,361</u>	<u>(103,136)</u>	<u>38,409,011</u>
Less accumulated depreciation for				
Buildings	\$ 205,396	\$ 568	\$ -	\$ 205,964
Improvements	12,660,285	953,950	-	13,614,235
Equipment	<u>841,767</u>	<u>75,219</u>	<u>(103,136)</u>	<u>813,850</u>
Total accumulated depreciation	<u>13,707,448</u>	<u>1,029,737</u>	<u>(103,136)</u>	<u>14,634,049</u>
Total Capital Assets, depreciable, net	<u>\$18,424,338</u>	<u>\$ 5,350,624</u>	<u>\$(- -)</u>	<u>\$23,774,962</u>

The following is a summary of changes in non-depreciable capital assets:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable				
Land	\$2,455,135	\$ -	\$ -	\$2,455,135
Construction in progress	<u>153,248</u>	<u>-</u>	<u>(17,787)</u>	<u>135,461</u>
Total Capital Assets, Non-depreciable	<u>\$2,608,383</u>	<u>\$ -</u>	<u>\$(- 17,787)</u>	<u>\$2,590,596</u>

Business Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable				
Land	\$ 610,000	\$ 250,000	\$ -	\$ 860,000
Constructions in progress	<u>5,252,175</u>	<u>1,795,128</u>	<u>(1,870,500)</u>	<u>5,176,803</u>
Total Capital Assets, Non-depreciable	<u>\$5,862,175</u>	<u>\$ 2,045,128</u>	<u>\$ (1,870,500)</u>	<u>\$6,036,803</u>

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

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June 30, 2010

9. **LONG-TERM DEBT**

The annual requirements to amortize all debt outstanding as of June 30, 2010, are as follows:

Years Ending June 30,	General Obligation Refunding		General Obligation Bond		Water Revenue Bond		General Obligation Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 114,810	\$ 55,452	\$ 18,732	\$ 69,573	\$ 38,282	\$ -0-	\$ 37,382	\$ -0-
2012	119,345	50,916	33,177	118,202	38,282	-0-	37,382	-0-
2013	124,059	46,202	34,572	116,808	38,282	-0-	37,382	-0-
2014	128,959	41,302	36,025	115,355	38,282	-0-	37,382	-0-
2015	134,053	36,208	37,540	113,840	38,282	-0-	37,382	-0-
Thereafter	782,604	98,432	2,739,299	2,304,908	781,189	-0-	537,628	-0-
Totals	<u>\$1,403,830</u>	<u>\$328,512</u>	<u>\$2,899,345</u>	<u>\$2,838,686</u>	<u>\$ 972,599</u>	<u>\$ -0-</u>	<u>\$724,538</u>	<u>\$ -0-</u>

Years Ending June 30,	Water Revenue Bond		Water Revenue Bond		Water Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 49,996	\$ 164,084	\$ 18,611	\$ 61,669	\$ 2,334	\$ 366
2012	52,228	161,852	19,442	60,838	2,449	247
2013	54,559	159,521	20,310	59,970	2,569	131
2014	56,995	157,085	21,217	59,064	1,331	19
2015	59,539	154,541	22,164	58,116	-0-	-0-
Thereafter	3,498,806	2,657,925	1,316,521	1,006,408	-0-	-0-
Totals	<u>\$ 3,772,123</u>	<u>\$3,455,008</u>	<u>\$1,418,265</u>	<u>\$1,306,065</u>	<u>\$ 8,683</u>	<u>\$ 763</u>

Years Ending June 30,	Water Revenue Note		Total Water Fund Debt	
	Principal	Interest	Principal	Interest
2011	\$ 18,774	\$10,153	\$ 298,921	\$ 361,297
2012	21,714	9,843	324,019	401,898
2013	22,768	8,789	334,501	391,421
2014	23,874	7,684	344,065	380,509
2015	25,033	6,525	353,993	369,230
Thereafter	123,706	13,451	9,779,753	6,081,124
Totals	<u>\$ 235,869</u>	<u>\$56,445</u>	<u>\$11,435,252</u>	<u>\$7,985,479</u>

Years Ending June 30,	General Obligation Refunding		VRA Wastewater		Wastewater Revenue		Wastewater Note		General Obligation Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 26,165	\$ 12,638	\$ 314,671	-0-	\$ 39,342	\$ -0-	\$ 2,334	\$ 366	\$ 4,215	\$ 89,617
2012	27,198	11,604	314,671	-0-	39,342	-0-	2,449	247	17,329	70,031
2013	28,273	10,530	314,671	-0-	39,342	-0-	2,569	131	18,013	69,257
2014	29,390	9,412	157,335	-0-	39,342	-0-	1,331	19	18,911	68,449
2015	30,550	8,252	-0-	-0-	39,342	-0-	-0-	-0-	19,755	67,605
Thereafter	178,353	22,433	-0-	-0-	413,094	-0-	-0-	-0-	1,534,575	1,392,262
Totals	<u>\$319,929</u>	<u>\$ 74,869</u>	<u>\$1,101,348</u>	<u>\$ -0-</u>	<u>\$609,804</u>	<u>\$ -0-</u>	<u>\$ 8,683</u>	<u>\$ 763</u>	<u>\$1,612,798</u>	<u>\$1,757,221</u>

Years Ending June 30,	General Obligation Bond		Total Wastewater Fund Debt	
	Principal	Interest	Principal	Interest
2011	201,150	-0-	587,877	102,621
2012	201,150	-0-	602,139	81,882
2013	201,150	-0-	604,018	79,918
2014	201,150	-0-	447,459	77,880
2015	201,150	-0-	290,797	75,857
Thereafter	3,009,815	-0-	5,135,837	1,414,695
Totals	<u>\$4,015,565</u>	<u>\$ -0-</u>	<u>\$7,668,127</u>	<u>\$1,832,853</u>

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

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June 30, 2010

9. ***LONG-TERM DEBT (Continued)***
Changes in Long-Term Bonds/Loans:

The following is a summary of long-term bonds/loan transactions of the Town of Big Stone Gap for the year ended June 30, 2010:

	<u>INSTALLMENT NOTES</u>			<u>GENERAL OBLIGATION & REVENUE BONDS</u>		
	<u>Governmental Notes</u>	<u>Water Fund Note</u>	<u>Wastwater Fund Note</u>	<u>Water Bond</u>	<u>Wastwater Bond</u>	<u>TOTAL</u>
Bonds/loans payable at July 01, 2009	\$ 112,224	\$ 10,908	\$ 10,908	\$11,009,059	\$4,252,413	\$15,395,512
Issuances	-0-	-0-	-0-	684,152	3,787,417	4,471,569
Retirements	<u>(26,550)</u>	<u>(2,225)</u>	<u>(2,225)</u>	<u>(266,642)</u>	<u>(380,386)</u>	<u>(678,028)</u>
Bonds/loans payable at June 30, 2010	<u>\$ 85,674</u>	<u>\$ 8,683</u>	<u>\$ 8,683</u>	<u>\$11,426,569</u>	<u>\$7,659,444</u>	<u>\$19,189,053</u>

Changes in Other Long-Term Debt:

The following is a summary of other long-term debt transactions of the Town of Big Stone Gap for the year ended June 30, 2010:

	<u>Compensated Absences</u>	
	<u>Governmental Fund Types</u>	<u>Propriety Fund Types</u>
Payable at July 01, 2009	\$197,495	\$102,222
Additions	133,265	75,959
Reductions	<u>(125,993)</u>	<u>(60,927)</u>
Payable at June 30, 2010	<u>\$204,767</u>	<u>\$117,254</u>

Details of Long-Term Indebtedness

Governmental Fund:

Notes Payable:

\$106,767 governmental fund note payable issued January 7, 2009, to PVNB with interest of 3.25% for the acquisition of a garbage truck. Annual payments of \$28,927 commencing January 7, 2010, and continuing annually thereafter for a period of four years. \$ 81,329

\$2,596 governmental fund note payable issued October 14, 2008, to IBM Credit LLC with interest of 4.83% for the acquisition of a IBM Computer Equipment. Annual payments of \$585 commencing January 1, 2009, and continuing annually thereafter for a period of five years. 1,884

\$3,395 governmental fund note payable issued October 14, 2008, to IBM Credit LLC with interest of 4.78% for the acquisition of a IBM Computer Equipment. Annual payments of \$765 commencing January 1, 2009, and continuing annually thereafter for a period of five years. 2,461

TOTAL GOVERNMENTAL FUND LONG-TERM DEBT \$ 85,674

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

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June 30, 2010

9. **LONG-TERM DEBT (Continued)**
Details of Long-Term Indebtedness

Enterprise Fund:

	<u>Water</u>	<u>Wastewater</u>
Notes Payable:		
\$10,382 water and sewer note payable issued October 14, 2008, to IBM Credit LLC with interest of 4.83% for the acquisition of a IBM Computer Equipment. Annual payments of \$1,171 commencing January 1, 2009, and continuing annually hereafter for a period of five years.	3,762	3,762
\$13,582 water and sewer note payable issued October 14, 2008, to IBM Credit LLC with interest of 4.78% for the acquisition of a IBM Computer Equipment. Annual payments of \$1,530 for each fund commencing January 1, 2009, and continuing annually thereafter for a period of five years.	4,921	4,921
General Obligation Bonds:		
\$1,585,505 general obligation refunding bond issued September 26, 2008, to Carter Bank and Trust, with interest at 3.95%, interest only payable on December 15, 2008, and thereafter payable on each June 15 and December 15. Commencing on June 15, 2009 and on each June 15 thereafter principal payments shall be made in installments. Final payment of principal and interest is due June 30, 2021.	1,403,830	-0-
\$361,332 general obligation refunding bond issued September 26, 2008 to Carter Bank and Trust, with interest at 3.95%, interest only payable on December 15, 2008, and thereafter payable on each June 15 and December 15. Commencing on June 15, 2009 and on each June 15 thereafter principal payments shall be made in installments. Final payment of principal and interest is due June 30, 2021.	-0-	319,929
\$1,121,445 general obligation water bond issued September 19, 2008, to Virginia Water Facilities Revolving Fund with no interest. Principal payments of \$18,690.75 payable January 1, 2010, and semi-annually thereafter for a period of 30 years.	724,538	-0-
\$2,900,000 general obligation and water revenue bond issued November 5, 2008, to Rural Development, with interest at 4.125%. Interest only payable on November 5, 2009, and thereafter payable in installments of combined interest and principal of \$12,615 beginning December 5, 2010, and continuing monthly thereafter for a period of 39 years until paid. Each payment is to be applied first to accrued interest and then to principal.	2,899,345	-0-
\$4,023,000 general obligation sewer bond issued December 17, 2008 to Virginia Water Facilities Revolving Fund with no interest. Principle payments of \$100,575 payable October 1, 2010, and semi-annually on April 1 and October 1 thereafter for a period of 20 years until paid.	-0-	4,015,565

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

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June 30, 2010

9. **LONG-TERM DEBT (Continued)**

Details of Long-Term Indebtedness

Enterprise Fund:

	<u>Water</u>	<u>Wastewater</u>
\$1,614,000 general obligation and sewer revenue bond issued March 18, 2009, to Rural Development, with interest at 4.375%. Interest only payable on March 18, 2010, and 2011, and thereafter payable in installments on combined interest and principal of \$7,280 beginning April 18, 2011, and continuing monthly thereafter for a period of 40 years until paid. Each payment is to be applied first to accrued interest and then to principal.	-0-	1,612,798
Revenue Bonds:		
\$6,297,990 sewer revenue bond issued September 01, 1994, to Virginia Water Facilities Revolving Fund with no interest. Principal payments of \$157,435 payable June 01, 1995, and semi-annually thereafter for a period of 20 years.	-0-	1,101,348
\$4,000,000 water revenue bonds issued May 27, 2004, to Rural Development, with interest at 4.375%. Interest is payable only on May 27, 2005, and thereafter payable in installments on combined interest and principal of \$17,840 beginning June 27, 2005, and continuing monthly thereafter for a period of 39 years until paid. Each payment is to be applied first to accrued interest and then to principal.	3,772,123	-0-
\$1,148,460 water revenue bonds issued June 16, 2005 to Virginia Resource Authority, with interest at 0% payable in installments of \$19,141 beginning July 1, 2006, and continuing semi-annually on January 1 and July 1 thereafter for a period of 30 years until paid.	972,599	-0-
\$860,000 sewer revenue bond issued December 17, 2005 to Virginia Water Facilities Revolving Fund with no interest. Principle payments of \$21,500 payable March 1, 2006, and semi-annually on September 1 and March 1 thereafter for a period of 20 years until paid.	-0-	609,804
\$250,041 water revenue note issued November 4, 2009 to Powell Valley National Bank, with interest at 4.75%. Combined interest and principle payments of \$2,630 are due in monthly installments beginning December 4, 2009 and continuing for a period of 10 years until paid.	235,869	-0-
\$1,500,000 water revenue bonds issued June 23, 2004 to Rural Development with interest at 4.375%. Interest is payable only on June 23, 2005, and thereafter payable in installments on combined interest and principle of \$6,690 beginning July 23, 2005, and continuing monthly thereafter for a period of 40 years until paid. Each payment is to be applied first to accrued interest and then to principle.	1,418,265	-0-
TOTAL ENTERPRISE FUNDS LONG-TERM DEBT	<u>\$11,435,252</u>	<u>\$7,668,127</u>

June 30, 2010

10. **CLAIMS, JUDGEMENTS, AND COMPENSATED ABSENCES**

PRIMARY GOVERNMENT

In accordance with GASB Statement 16 "Accounting and Financial Reporting Principals for Claims and Judgments and Compensated Absences", the Town has accrued the liability arising from outstanding claims and judgments and compensated absences.

Town employees earn general leave according to the following schedule:

- (1) Permanent full-time employees with less than five years of service earn 1 1/2 work days per month.
- (2) Permanent full-time employees with five years, but less than ten years of service, earn two work days per month.
- (3) Permanent full-time employees with ten or more years of service earn 2 1/2 work days per month.
- (4) Part-time employees who work 1,000 hours in a given year will earn five days annual leave.

Accumulated general leave is paid upon termination according to the following schedule:

- (1) A permanent employee who is separated from the Town service shall be given full pay for his/her accumulated annual leave up to a maximum ninety (90) work days. If an employee dies while in Town service, such terminal leave shall be paid to his/her estate. No terminal leave pay will be paid to persons that are terminated for disciplinary reasons. The accumulated leave maximum of ninety (90) work days reflects a policy change from the prior maximum of thirty (30) work days. At the time of the policy change implementing the maximum leave, the Town agreed to pay five (5) employees for all accumulated leave including any amounts above the ninety (90) day maximum. Presently the Town has one employee remaining of the original five that is an exception to the maximum policy limit.

The Town has outstanding accrued general leave pay totaling \$204,767 in the Governmental Activities, and \$117,254 in the Water and Wastewater Funds. The Town has outstanding accrued payroll taxes of \$15,665 in the Governmental Activities and \$8,970 in the Water and Wastewater Fund related to the accrued leave.

11. **DEFINED BENEFIT PENSION PLAN**

A. **Plan Description**

Name of Plan: Town of Big Stone Gap, Virginia, Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. The VRS is an agent multiple-employer defined benefit plan. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service (1.85% sheriffs and if the employer elects, to other employees in hazardous duty positions receiving enhanced benefits).

Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

June 30, 2010

11. **DEFINED BENEFIT PENSION PLAN (Continued)**

A. 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 that report may be obtained by writing to the System Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500 or may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2009-Annual-Report.pdf>.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the Town of Big Stone Gap, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended June 30, 2010 was 3.9% of annual covered payroll.

C. Annual Pension Cost

For the fiscal year 2010, the Town of Big Stone Gap's annual pension cost of \$175,565 was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses) (b) projected salary increases of 3.75% to 5.6% per year for general government employees and 3.5% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

PRIMARY GOVERNMENT:

Three Year Trend Information for the Town of Big Stone Gap, Virginia:

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of <u>APC Contributed</u>	Net Pension <u>Obligation</u>
June 30, 2010	\$175,565	100%	\$ -0-
June 30, 2009	171,130	100	-0-
June 30, 2008	206,725	100	-0-

D. Funded Status and Funding Progress

As of June 30, 2009 the most recent actuarial valuation date, the plan was 93.21% funded. The actuarial accrued liability for benefits was \$8,942,112, resulting in an unfunded actuarial accrued liability (UAAL) of \$606,872. The covered payroll (annual payroll of active employees covered by the plan) was \$1,936,495, and ratio of the UAAL to the covered payroll was 31.34%.

The schedule of funding progress, presented as Required Supplementary Information following these notes, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

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June 30, 2010

11. **DEFINED BENEFIT PENSION PLAN (Continued)**

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for the Town of Big Stone Gap, Virginia

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2009	\$8,335,239	\$8,942,112	\$ 606,872	93.21%	\$1,936,495	31.34%
June 30, 2008	8,469,322	8,265,814	(203,508)	102.46	1,879,431	(10.83)
June 30, 2007	7,742,865	7,504,627	(238,238)	103.17	1,800,884	(13.23)

12. **OTHER POST-EMPLOYMENT BENEFITS**

The Governmental Accounting Standards Board (GASB) has issued its Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefit Plans Other Than Pensions*. The Statement establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense and related liabilities in the financial statements. The cost of post-employment healthcare benefits should be associated with the period in which the cost occurs, rather than in the future years when it will be paid. The Town of Big Stone Gap adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2010. recognition of the liability accumulated from prior years will be phased in over 30 years commencing with the 2010 liability.

The Town meets the requirements to use the alternative measurement method and elects to use the alternative measurement method.

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2010, the Town's annual OPEB costs of \$74,563 for governmental activities and \$31,955 for business-type activities, respectively, were equal to the Annual Required Contribution (ARC).

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Annual required contribution	\$ 74,563	\$ 31,955	\$106,518
Interest on net OPEB obligation	-	-	-
Adjustment to annual required contribution	-	-	-
Annual OPEB cost	\$ 74,563	\$ 31,955	\$106,518
Contributions made (Age Adjusted)	(40,374)	(17,507)	(57,881)
Increase in net OPEB obligation	34,189	14,448	48,637
Net OPEB obligation-beginning of year	-	-	-
Net OPEB obligation-end of year	<u>\$ 34,189</u>	<u>\$ 14,448</u>	<u>\$ 48,637</u>

June 30, 2010

12. **OTHER POST-EMPLOYMENT BENEFITS (Continued)**

The Town's annual OPEB cost for governmental activities, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows. The Town's first year of implementing GASB No. 45 was June 30, 2010.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 34,189	0%	\$ 34,189

The Town's annual OPEB cost for governmental activities, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows. The Town's first year of implementing GASB No. 45 was June 30, 2010.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 14,448	0%	\$ 14,448

Funding Status and Funding Progress

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. Examples include assumptions about future employment, mortality, and healthcare cost trends. 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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of Funding Progress for the Town of Big Stone Gap, Virginia

Activity Type	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Governmental	\$ -0-	\$ 699,945	\$ 699,945	0.00%	\$1,401,145	49.96%
Business-type	\$ -0-	\$ 299,976	\$ 299,976	0.00%	\$ 600,490	49.96%

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 type 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 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.

The entry age normal cost method was used to determine liabilities under the alternative measurement method. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. Active employees are assumed to retire at age 61 which is the historical average age of retirement for employees of the Town. Active employees age 61 or older who have qualified postemployment benefits under the plan are assumed to retire in the first projected year. A healthcare plan that includes both retirees and active employees contains a blended rate. The rate used in the calculation is the age-adjusted premium less the contribution from the retiree or blended premium. The actuarial assumptions for the Town included: inflation at 3.0 and an investment rate of return of 3.0%. The expected rate of increase in healthcare insurance premiums is based on the Getzen model promulgated by Society of Actuaries. Using the level percent of payroll method, the payroll growth rate has been set to the inflation rate. Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics. The 2004 United States Life Tables for Males and the United States Life Tables for Females were used. Life expectancies that include partial years were rounded to the nearest whole year. The calculation of postemployment health insurance coverage for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables. The probability that an employee will remain employed until the assumed retirement age was determined using non-group specific age-based turnover data provided in Table 1 in paragraph 35b of GASB Statement 45. The unfunded accrued liability is being amortized over 30 years. The remaining amortization period at June 30, 2010 is 29 years.

Plan Description

The Town provides post-employment medical coverage for retired employees through a single-employer defined benefit plan. The Town may change, add or delete coverage as they deem appropriate and with the approval of the Town Council. The plan does not grant retirees vested health benefits.

A retiree, eligible for post-retirement medical coverage, is defined as a full-time employee who retires directly from the Town and is eligible to receive an early or regular retirement benefit from the VRS. Employees applying for early or regular retirement are eligible to continue participation in the Retiree Health Plans sponsored by the Town. The Town pays 100% of the premium based on the following parameters:

- 1) Employees with 15 to 19 years of continuous service at retirement receive medical and dental insurance coverage for a maximum of two years.
- 2) Employees with 20 or more years of continuous service at retirement receive medical and dental insurance coverage for a maximum of five years.
- 3) There is no coverage for dependents.

Funding Policy

The Town currently funds post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2010, the Town had not designated any funding for the OPEB liability.

June 30, 2010

13. **DEFERRED REVENUE**

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$93,859 is comprised of the following:

Deferred Property Tax Revenue:

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$93,859 at June 30, 2010.

14. **COMMITMENTS AND CONTINGENCIES**

Litigation

In regard to litigation involving the Town of Big Stone Gap, Virginia, we are not aware of any material contingent liabilities that could affect the financial statements.

15. **SURETY BONDS**

The Town of Big Stone Gap has a blanket bond with USF&G covering all town employees at \$10,000 per employee. The Town has an additional \$1,000,000 policy with Tubor Insurance Company covering the Town's public officials.

16. **ENCUMBRANCES OUTSTANDING**

Outstanding encumbrances of the proprietary fund types are not reflected in the accompanying financial statements as a reservation of retained earnings, in keeping with the fund type's measurement focus. However, encumbrances outstanding are recorded in the governmental fund types of the Town, in order to reserve that portion of the applicable appropriation. June 30, 2010 outstanding encumbrances of governmental fund types are listed below:

PRIMARY GOVERNMENT

	<u>Amount</u>
General Fund	<u>\$ 14,423</u>

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND REVENUES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2010

SCHEDULE 1
Page 1

	Original Budget	Budget as Amended	Actual	Variance Favorable (Unfavorable)
<u>PRIMARY GOVERNMENT</u>				
GENERAL FUND:				
Revenue from Local Sources:				
General Property Taxes:				
Real property taxes	\$ 747,850	\$ 747,850	\$ 768,854	\$ 21,004
Real and personal public service corporation property taxes	40,000	40,000	41,800	1,800
Personal property taxes	170,000	170,000	152,500	(17,500)
Machinery and tools taxes	700	700	182	(518)
Penalties and interest	18,300	18,300	28,812	10,512
Total General Property Taxes	976,850	976,850	992,148	15,298
Other Local Taxes:				
Local sales and use taxes	240,000	240,000	397,989	157,989
Cigarette taxes	50,000	50,000	35,155	(14,845)
Utility taxes	120,000	120,000	120,987	987
Business licenses taxes	280,400	280,400	255,043	(25,357)
Franchise license taxes	-	-	-	-
Communication taxes	210,000	210,000	197,280	(12,720)
Motor vehicle licenses	70,000	70,000	61,221	(8,779)
Bank stock taxes	72,000	72,000	94,393	22,393
Hotel and motel room taxes	15,000	15,000	13,038	(1,962)
Restaurant food taxes	500,000	500,000	497,286	(2,714)
Coal road improvement taxes	220,000	220,000	160,221	(59,779)
Total Other Local Taxes	1,777,400	1,777,400	1,832,613	55,213
Permits, Privilege Fees, And Regulatory Licenses	10,600	10,600	3,184	(7,416)
Fines and Forfeitures	36,000	36,000	32,447	(3,553)
Revenue From Use Of Money and Property:				
Revenue from use of money	3,500	3,500	7,695	4,195
Revenue from use of property	14,400	14,400	8,596	(5,804)
Total Revenue From Use of Money and Property	17,900	17,900	16,291	(1,609)
Charges For Services:				
Fire services	4,000	4,000	3,838	(162)
Security	-	-	1,206	1,206
Charges for sanitation and waste removal	300,000	300,000	299,240	(760)
Charges for parks and recreation	34,200	34,200	29,600	(4,600)
Cemetery plots and materials	25,000	25,000	36,580	11,580
Swimming pool donations	-	-	-	-
Police Restitution	98,955	126,744	69,289	(57,455)
Charges for maintenance of highways, bridges, and streets	-	-	-	-
Total Charges For Services	462,155	489,944	439,753	(50,191)
Miscellaneous Revenue	3,000	3,000	147,254	144,254
Recovered Costs	122,500	122,500	126,919	4,419
Total Revenue From Local Sources	\$ 3,406,405	\$ 3,434,194	\$ 3,590,609	\$ 156,415

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

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND REVENUES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2010

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue From The Commonwealth:				
Non-Categorical Aid:				
ABC profits	\$ -	\$ -	\$ -	\$ -
Wine taxes	-	-	-	-
Motor vehicle carriers' taxes	1,500	1,500	857	(643)
Mobile home titling taxes	10,000	10,000	4,374	(5,626)
Rolling stock taxes	8,000	8,000	9,095	1,095
Assistance to localities with police departments	158,000	158,000	145,654	(12,346)
Total Non-Categorical Aid	<u>177,500</u>	<u>177,500</u>	<u>159,980</u>	<u>(17,520)</u>
Other Categorical Aid:				
Street and highway maintenance	650,000	650,000	626,864	(23,136)
Litter control	-	-	854	854
Financial assistance to the arts	5,000	5,000	5,000	-
Fire programs fund	20,000	20,000	10,196	(9,804)
VDOT (ISTEA)	90,265	90,265	21,667	(68,598)
VDHCD Downtown Revitalization	-	-	3,500	3,500
Drug task force grant	30,000	113,366	83,366	(30,000)
Law enforcement grant	-	-	-	-
Total Other Categorical Aid	<u>795,265</u>	<u>878,631</u>	<u>751,447</u>	<u>(127,184)</u>
Total Revenue From The Commonwealth	<u>972,765</u>	<u>1,056,131</u>	<u>911,427</u>	<u>(144,704)</u>
Revenue From The Federal Government:				
Payment In Lieu of Taxes:				
Payment in lieu of property taxes	48,100	48,100	48,502	402
Total Payment in Lieu of Taxes	<u>48,100</u>	<u>48,100</u>	<u>48,502</u>	<u>402</u>
Categorical Aid:				
Edward Byrne Memorial Formula Grant	-	853,404	250,000	(603,404)
Alcohol Open Container Requirements Grant	-	12,000	5,112	(6,888)
Total Categorical Aid	<u>-</u>	<u>865,404</u>	<u>255,112</u>	<u>(610,292)</u>
Total Revenue From The Federal Government	<u>48,100</u>	<u>913,504</u>	<u>303,614</u>	<u>(609,890)</u>
Prior Years Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL FUND	<u>4,427,270</u>	<u>5,403,829</u>	<u>4,805,650</u>	<u>(598,179)</u>
Community Development Fund:				
Revenue From Local Sources:				
Revenue from use of money	-	-	110	110
Total Revenue From Local Sources	<u>-</u>	<u>-</u>	<u>110</u>	<u>110</u>
Total Community Development Fund	<u>-</u>	<u>-</u>	<u>110</u>	<u>110</u>
Charges for services:				
Collection fees	-	-	2,002	2,002
Total Charges for Services	<u>-</u>	<u>-</u>	<u>2,002</u>	<u>2,002</u>
TOTAL SPECIAL REVENUE FUNDS	<u>-</u>	<u>-</u>	<u>2,112</u>	<u>2,112</u>
GRAND TOTALS - REVENUES - PRIMARY GOVERNMENT FUNDS	<u>\$ 4,427,270</u>	<u>\$ 5,403,829</u>	<u>\$ 4,807,762</u>	<u>\$ (596,067)</u>

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

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>PRIMARY GOVERNMENT</u>				
GENERAL FUND:				
General Government Administration:				
Legislative:				
Town Council	\$ 33,500	\$ 33,500	\$ 26,494	\$ 7,006
Mayor	5,115	5,115	1,506	3,609
Total Legislative	<u>38,615</u>	<u>38,615</u>	<u>28,000</u>	<u>10,615</u>
General and Financial Administration:				
Town Manager	116,550	116,550	110,434	6,116
Legal and consulting	36,000	36,000	24,645	11,355
Independent auditor	11,500	11,500	9,218	2,282
Treasurer/Clerk	197,695	197,695	190,844	6,851
Accounting	66,720	66,720	66,997	(277)
Risk management	118,522	118,522	107,920	10,602
Automotive/motor pool	143,825	143,825	127,462	16,363
Central purchasing	72,850	72,850	71,350	1,500
Engineering	-	-	-	-
Data processing	61,475	61,475	57,473	4,002
Total General and Financial Administration	<u>825,137</u>	<u>825,137</u>	<u>766,343</u>	<u>58,794</u>
Total General Government Administration	<u>863,752</u>	<u>863,752</u>	<u>794,343</u>	<u>69,409</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	1,214,700	1,226,700	1,178,798	47,902
Homeland Security Program	-	-	-	-
Drug task force	128,955	1,093,514	394,174	699,340
Total Law Enforcement and Traffic Control	<u>1,343,655</u>	<u>2,320,214</u>	<u>1,572,972</u>	<u>747,242</u>
Fire and Rescue Services:				
Volunteer fire department	141,150	141,150	100,857	40,293
Ambulance and rescue services	24,000	24,000	8,660	15,340
Total Fire and Rescue Services	<u>165,150</u>	<u>165,150</u>	<u>109,517</u>	<u>55,633</u>
Inspections:				
Building	11,505	11,505	10,791	714
Plumbing	-	-	-	-
Total Inspections	<u>11,505</u>	<u>11,505</u>	<u>10,791</u>	<u>714</u>
Total Public Safety	<u>1,520,310</u>	<u>2,496,869</u>	<u>1,693,280</u>	<u>803,589</u>
Public Works:				
Maintenance of Highways, Streets, Bridges and Sidewalks:				
Highways, streets, bridges, and sidewalks	772,525	772,525	723,504	49,021
Storm drainage	5,000	5,000	1,572	3,428
Street lights	63,000	63,000	69,351	(6,351)
Snow and ice removal	32,000	32,000	51,285	(19,285)
Curbs and guttering	15,000	15,000	3,790	11,210
Total Maintenance of Highways, Streets, Bridges, and Sidewalks	<u>887,525</u>	<u>887,525</u>	<u>849,502</u>	<u>38,023</u>

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2010

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Sanitation and Waste Removal:				
Refuse collection	\$ 198,675	\$ 198,675	\$ 228,342	\$ (29,667)
Litter control	-	-	-	-
Total Sanitation and Waste Removal	<u>198,675</u>	<u>198,675</u>	<u>228,342</u>	<u>(29,667)</u>
Maintenance of General Buildings and Grounds:				
General properties	<u>172,915</u>	<u>172,915</u>	<u>131,854</u>	<u>41,061</u>
Total Public Works	<u>1,259,115</u>	<u>1,259,115</u>	<u>1,209,698</u>	<u>49,417</u>
Health and Welfare:				
Area agency on aging	-	-	-	-
Property tax relief for elderly	<u>37,500</u>	<u>37,500</u>	<u>27,639</u>	<u>9,861</u>
Total Welfare/Social Services	<u>37,500</u>	<u>37,500</u>	<u>27,639</u>	<u>9,861</u>
Total Health and Welfare	<u>37,500</u>	<u>37,500</u>	<u>27,639</u>	<u>9,861</u>
Parks, Recreation and Cultural:				
Administration	311,750	311,750	296,166	15,584
Green Belt Trail	82,265	82,265	-	82,265
Maintenance	-	-	-	-
Swimming pool	43,700	43,700	38,112	5,588
Cemeteries	117,860	117,860	120,331	(2,471)
Team activities	-	-	-	-
Fourth of July	-	-	-	-
Big Cherry Lake	-	-	-	-
Total Parks and Recreation	<u>555,575</u>	<u>555,575</u>	<u>454,609</u>	<u>100,966</u>
Cultural Enrichment:				
Pro-Art	4,000	4,000	4,000	-
Lonesome Pine Arts and Crafts	4,000	4,000	4,000	-
Contribution to Gap Corporation	10,000	10,000	10,000	-
Crooked Road	5,000	5,000	5,000	-
Miscellaneous	<u>12,000</u>	<u>12,000</u>	<u>11,150</u>	<u>850</u>
Total Cultural Enrichment	<u>35,000</u>	<u>35,000</u>	<u>34,150</u>	<u>850</u>
Library:				
Payments to regional library	<u>2,250</u>	<u>2,250</u>	<u>2,250</u>	<u>-</u>
Total Parks, Recreation and Cultural	<u>592,825</u>	<u>592,825</u>	<u>491,009</u>	<u>101,816</u>
Community Development:				
Planning	105,161	105,161	7,484	97,677
Telecommunications	-	-	-	-
Community development	1,250	1,250	1,423	(173)
Zoning board	-	-	-	-
Total Planning and Community Development	<u>106,411</u>	<u>106,411</u>	<u>8,907</u>	<u>97,504</u>
Total Community Development	<u>106,411</u>	<u>106,411</u>	<u>8,907</u>	<u>97,504</u>

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2010

SCHEDULE 2
Page 3

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Non-Departmental:				
Contingency	\$ 28,357	\$ 28,357	\$ 331	\$ 28,026
Christmas decorations	-	-	-	-
Total Non-Departmental	<u>28,357</u>	<u>28,357</u>	<u>331</u>	<u>28,026</u>
Debt Service:				
Principal retirement	\$ 29,000	\$ 29,000	\$ 26,550	\$ 2,450
Interest	-	-	3,727	(3,727)
Total Non-Departmental	<u>29,000</u>	<u>29,000</u>	<u>30,277</u>	<u>(1,277)</u>
TOTAL GENERAL FUND	<u>4,437,270</u>	<u>5,413,829</u>	<u>4,255,484</u>	<u>1,158,345</u>
 <u>SPECIAL REVENUE FUNDS:</u>				
Community development	-	-	-	-
Total Community Development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL SPECIAL REVENUE FUNDS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS	<u>\$ 4,437,270</u>	<u>\$ 5,413,829</u>	<u>\$ 4,255,484</u>	<u>\$ 1,158,345</u>
 OTHER FINANCING RESOURCES (USES):				
Sale of property	-	-	-	-
Insurance recoveries	10,000	10,000	22,907	12,907
Transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>10,000</u>	<u>22,907</u>	<u>12,907</u>
Net Increase (Decrease) in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 575,185</u>	<u>\$ 575,185</u>

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF TREASURER'S ACCOUNTABILITY
June 30, 2010

SCHEDULE 3

ASSETS HELD BY THE TREASURER:

Cash on hand		\$ 900
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Cash in banks:

Checking:

Wachovia	909,566	
Branch Bank and Trust	154,423	
New Peoples Bank	5,692	
Powell Valley National Bank	69,043	
Total Checking	1,138,724	1,138,724

Savings:

Branch Bank and Trust	105,352	
Powell Valley National Bank	377,217	
Wachovia	78,274	
Total savings	560,843	560,843

Certificates of Deposit:

Branch Bank and Trust	240,101	
Powell Valley National Bank	1,505,591	
New Peoples Banks	526,067	
Wachovia	7,199	
Total Certificates of Deposit	2,278,958	2,278,958

TOTAL CASH IN BANKS		\$ 3,978,525
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TOTAL CASH		\$ 3,979,425
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LIABILITIES OF THE TREASURER:

BALANCE OF TOWN FUNDS		\$ 3,979,425
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TOWN OF BIG STONE GAP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

A) SUMMARY OF AUDIT RESULTS

- 1) The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Town of Big Stone Gap, Virginia.
- 2) No significant deficiencies relating to the audit of the general purpose financial statements of the Town of Big Stone Gap, Virginia, are reported in the Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- 3) No instances of non-compliance material to the general purpose financial statements of the Town of Big Stone Gap, Virginia, were disclosed during the audit.
- 4) No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
- 5) The Auditor's report on Compliance for the Major Federal Award Programs for the Town of Big Stone Gap, Virginia, expresses an unqualified opinion.
- 6) Audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133 are reported in this Schedule.
- 7) The programs tested as major programs are designated with an "*" on the accompanying Schedule of Expenditures of Federal Awards.
- 8) The threshold for distinguishing types A & B programs was \$300,000.
- 9) The Town of Big Stone Gap, Virginia, was eligible to be a low risk auditee.

B) FINDINGS - GENERAL PURPOSE FINANCIAL STATEMENTS AUDIT

NONE

C) FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

TOWN OF BIG STONE GAP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

	<u>Federal Catalogue Number</u>	<u>Expenditures</u>
DEPARTMENT OF AGRICULTURE:		
Direct Payments:		
VIRGINIA WATER SUPPLY REVOLVING FUND		
Capitalization Grants for Drinking Water-State Revolving Funds	66.468	\$ 133,412
RURAL DEVELOPMENT		
Water Systems	10.760	1,748,365 *
Waste & Water Disposal Systems	10.760	881,836 *
ENVIRONMENTAL PROTECTION AGENCY		
Office of Water		
ARRA-Capitalization Grants for Drinking Water	66.458	531,427 *
DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT:		
Community Development Grants	14.228	341,648 *
DEPARTMENT OF JUSTICE		
ARRA-Edward Byrne Memorial Formula Grant	16.810	238,647 *
DEPARTMENT OF TRANSPORTATION		
Alcohol Open Container Requirements	20.607	<u>5,112</u>
TOTAL		<u>\$ 3,880,447</u>

* Denotes Major Program or Major Program Cluster

STATISTICAL SECTION

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

CONTENTS	PAGE
FINANCIAL TRENDS These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	47
REVENUE CAPACITY These schedules contain trend information to help the reader assess the Town's most significant local revenue source, the property tax.	52
DEBT CAPACITY These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	55
ECONOMIC AND DEMOGRAPHIC INFORMATION These schedules offer economic and demographic indicators to help the reader understand the Environment within which the city's financial activities take place.	58
OPERATING INFORMATION These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	60

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**TOWN OF BIG STONE GAP, VIRGINIA
NET ASSETS BY COMPONENT (UNAUDITED)
LAST SEVEN FISCAL YEARS**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities							
Invested in capital assets, net of related debt	\$ 3,949,175	\$ 3,911,123	\$ 3,840,489	\$ 3,870,572	\$ 4,322,378	\$ 4,210,611	\$ 4,179,588
Restricted	-	-	-	-	-	-	-
Unrestricted	500,048	186,099	290,736	419,933	641,213	1,180,943	1,726,246
Total governmental activities net assets	<u>4,449,223</u>	<u>4,097,222</u>	<u>4,131,225</u>	<u>4,290,505</u>	<u>4,963,591</u>	<u>5,391,554</u>	<u>5,905,834</u>
Business-type activities							
Invested in capital assets, net of related debt	5,180,735	5,940,084	7,019,173	7,928,103	8,569,892	9,003,225	10,708,386
Restricted	-	-	-	-	-	-	-
Unrestricted	1,474,485	1,488,020	1,292,633	885,858	893,538	1,491,719	1,601,325
Total business-type activities	<u>6,655,220</u>	<u>7,428,104</u>	<u>8,311,806</u>	<u>8,813,961</u>	<u>9,463,430</u>	<u>10,494,944</u>	<u>12,309,711</u>
Primary government							
Invested in capital assets, net of related debt	9,129,910	9,851,207	10,859,662	11,798,675	12,892,270	13,213,836	14,887,974
Restricted	-	-	-	-	-	-	-
Unrestricted	1,974,533	1,674,119	1,583,369	1,305,791	1,534,751	2,672,662	3,327,571
Total primary government net assets	<u>\$ 11,104,443</u>	<u>\$ 11,525,326</u>	<u>\$ 12,443,031</u>	<u>\$ 13,104,466</u>	<u>\$ 14,427,021</u>	<u>\$ 15,886,498</u>	<u>\$ 18,215,545</u>

- 1) Trend data is only available for the last seven fiscal years due to implementation of GASB 34
- 2) Fiscal year 2003-04 restricted net assets were restated to properly reflect GASB 34 guidelines
- 3) Accounting standards require net assets be reported in three categories in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted when 1) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or) imposed by law through constitutional provisions or enabling legislation.

**TOWN OF BIG STONE GAP, VIRGINIA
CHANGES IN NET ASSETS (UNAUDITED)
LAST SEVEN FISCAL YEARS**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Expenses							
Governmental Activities:							
General government	\$ 970,833	\$ 773,661	\$ 861,508	\$ 717,663	\$ 750,048	\$ 793,862	\$ 853,099
Public safety	1,144,266	1,303,450	1,278,834	1,371,247	1,680,063	1,788,780	1,794,103
Public works	1,098,933	1,223,855	1,137,172	1,195,888	1,195,768	1,057,026	1,156,339
Health and welfare	17,558	19,202	18,399	29,134	18,697	19,267	27,639
Parks, recreation and cultural	448,486	596,376	571,915	485,523	502,666	429,139	483,823
Community development	121,567	168,063	74,191	4,768	37,805	132,685	8,907
Interest on long-term debt	8,211	7,315	19,775	13,021	7,455	3,479	3,727
Non-departmental	20,462	25,829	3,762	19,745	15,264	4,469	331
Total government activities expense	3,830,316	4,117,751	3,965,556	3,836,989	4,207,766	4,228,707	4,327,968
Business-Type Activities:							
Water	1,560,611	1,947,808	3,069,246	2,336,166	2,324,170	2,382,111	2,554,898
Wastewater	1,007,646	977,551	1,031,861	1,023,874	1,173,133	1,197,494	1,422,626
Total business-type activities expenses	2,568,257	2,925,359	4,101,107	3,360,040	3,497,303	3,579,605	3,977,524
Total primary government expenses	\$ 6,398,573	\$ 7,043,110	\$ 8,066,663	\$ 7,197,029	\$ 7,705,069	\$ 7,808,312	\$ 8,305,492
Program Revenues							
Governmental Activities:							
Charges for services							
Public safety	\$ 32,831	\$ 11,853	\$ 6,261	\$ 98,895	\$ 86,494	\$ 90,531	\$ 74,333
Public works	329,694	293,123	295,188	293,745	302,458	298,475	299,240
Parks, recreation and culture	75,267	49,559	49,115	47,326	65,745	82,602	68,182
Community development	-	-	-	-	-	-	-
Operating grants and contributions	201,016	821,414	883,801	862,762	1,098,713	1,205,841	1,127,046
Capital grants and contributions	26,665	96,992	66,048	87	97,714	31,500	25,167
Total governmental activities program revenues	665,473	1,272,941	1,300,413	1,302,815	1,651,124	1,708,949	1,593,968
Business-Type Activities:							
Charges for services							
Water	1,710,378	1,616,708	1,493,323	1,619,820	2,451,915	2,590,632	2,448,059
Wastewater	1,135,176	1,308,352	1,222,785	1,251,343	1,226,704	1,266,356	1,384,341
Operating grants and contributions	-	-	-	-	-	-	-
Capital grants and contributions	-	763,601	2,241,987	974,638	445,790	731,453	1,931,772
Total business-type activities program revenues	2,845,554	3,688,661	4,958,095	3,845,801	4,124,409	4,588,441	5,764,172
Total primary government program revenues	\$ 3,511,027	\$ 4,961,602	\$ 6,258,508	\$ 5,148,616	\$ 5,775,533	\$ 6,297,390	\$ 7,358,140
Net (Expense)/Revenue							
Governmental Activities	\$ (3,164,843)	\$ (2,844,810)	\$ (2,665,143)	\$ (2,534,174)	\$ (2,556,642)	\$ (2,519,758)	\$ (2,734,000)
Business-Type Activities:	277,297	763,302	856,988	485,761	627,106	1,008,836	1,786,648
Total primary government net (expense)/revenue	\$ (2,887,546)	\$ (2,081,508)	\$ (1,808,155)	\$ (2,048,413)	\$ (1,929,536)	\$ (1,510,922)	\$ (947,352)

TOWN OF BIG STONE GAP, VIRGINIA
CHANGES IN NET ASSETS-CONTINUED (UNAUDITED)
LAST SEVEN FISCAL YEARS

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Revenues and other Changes in Net Assets							
Governmental Activities:							
Taxes							
Property taxes	\$ 723,390	\$ 747,879	\$ 846,093	\$ 845,746	\$ 841,344	\$ 846,783	\$ 990,112
Local sales & use tax	176,897	186,268	181,639	195,894	237,048	246,805	397,989
Utility tax	280,445	263,127	273,123	215,039	121,292	122,002	120,987
Business license tax	209,213	216,896	226,785	255,666	258,033	259,342	255,043
Franchise license tax	50,786	46,172	46,657	22,843	-	-	-
Communication tax	-	-	-	60,863	216,926	203,829	197,280
Motor vehicle license	68,541	74,370	70,076	70,196	67,853	65,787	61,221
Bank stock tax	56,045	71,325	70,845	73,317	70,978	81,943	94,393
Cigarette tax	42,440	45,848	53,095	33,875	39,969	33,155	35,155
Hotel and motel room tax	14,238	14,979	14,475	13,987	10,836	12,866	13,038
Restaurant food tax	342,501	373,837	436,421	440,781	469,331	487,128	497,286
Coal road improvement tax	152,835	183,415	214,272	193,686	191,614	237,445	160,221
Unrestricted intergovernmental revenue	638,447	65,255	63,052	63,443	69,912	86,329	62,828
Unrestricted investment earnings	6,738	5,670	6,209	10,898	5,407	4,595	7,805
Rental of Town property	3,017	7,762	10,370	10,026	13,768	11,564	8,596
Gain on sale of capital assets	-	31,238	-	-	-	-	-
Other	126,261	158,768	186,034	187,194	255,960	248,148	346,326
Total governmental activities	2,891,794	2,492,809	2,699,146	2,693,454	2,870,271	2,947,721	3,248,280
Business-Type Activities:							
Unrestricted investment earnings	13,660	9,582	26,714	16,394	22,363	22,678	28,119
Other	-	-	-	-	-	-	-
Total business-type activities	13,660	9,582	26,714	16,394	22,363	22,678	28,119
Total primary government	\$ 2,905,454	\$ 2,502,391	\$ 2,725,860	\$ 2,709,848	\$ 2,892,634	\$ 2,970,399	\$ 3,276,399
Change in Net Assets							
Governmental Activities	\$ (273,049)	\$ (352,001)	\$ 34,003	\$ 159,280	\$ 313,629	\$ 427,963	\$ 514,280
Business-Type Activities	290,957	772,884	883,702	502,155	649,469	1,031,514	1,814,767
Total primary government	\$ 17,908	\$ 420,883	\$ 917,705	\$ 661,435	\$ 963,098	\$ 1,459,477	\$ 2,329,047

1) Trend data is only available for the last seven fiscal years due to implementation of GASB 34

TOWN OF BIG STONE GAP, VIRGINIA
FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
LAST SEVEN FISCAL YEARS

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund							
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,008	\$ 14,423
Unreserved	373,062	234,325	358,188	493,491	658,449	1,162,322	1,768,980
Total general fund	\$ 373,062	\$ 234,325	\$ 358,188	\$ 493,491	\$ 658,449	\$ 1,210,330	\$ 1,783,403
All Other Governmental Funds							
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:							
Special Revenue fund	58,121	61,291	64,283	66,905	69,665	72,213	74,325
Total all other governmental funds	\$ 431,183	\$ 295,616	\$ 422,471	\$ 560,396	\$ 728,114	\$ 1,282,543	\$ 1,857,728

1) Trend data is only available for the last seven fiscal years due to implementation of GASB 34

TABLE 4

TOWN OF BIG STONE GAP, VIRGINIA
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
 LAST TEN FISCAL YEARS

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
General property taxes	\$ 649,540	\$ 658,005	\$ 661,135	\$ 723,390	\$ 761,126	\$ 838,581	\$ 831,352	\$ 842,666	\$ 818,375	\$ 992,148
Other local taxes	1,210,356	1,170,955	1,285,432	1,393,941	1,476,237	1,587,388	1,515,284	1,683,880	1,750,302	1,832,613
Permits and licenses	11,018	7,666	10,111	15,322	10,114	6,366	6,830	19,624	4,698	3,184
Fines and forfeitures	35,660	88,823	28,030	27,925	22,894	45,240	39,717	31,517	41,271	32,447
Investment earnings	52,246	24,832	22,262	15,782	13,432	16,579	20,924	19,175	16,159	16,401
Charges for services	237,403	371,271	357,258	394,545	354,535	350,564	439,966	474,697	471,608	441,755
Other revenues	4,230	2,243	18,603	348	2,262	5,134	12,170	12,480	9,889	147,254
recovered cost	130,205	112,095	117,584	115,214	114,200	114,100	113,680	128,105	124,865	126,919
Intergovernmental	1,007,662	1,030,080	755,269	866,128	983,661	1,012,901	987,155	1,246,339	1,323,670	1,215,041
Total revenues	3,338,320	3,465,970	3,255,684	3,552,595	3,738,461	3,976,853	3,967,078	4,458,483	4,560,837	4,807,762
Expenditures										
General government	550,219	655,484	681,652	916,735	709,666	719,051	661,192	767,943	740,792	794,343
Public safety	944,384	890,490	967,094	1,066,699	1,200,075	1,209,963	1,283,365	1,658,265	1,714,114	1,693,280
Public works	1,014,364	1,046,696	981,327	1,043,372	1,160,119	1,104,490	1,165,941	1,088,867	949,673	1,209,698
Health and welfare	16,395	18,254	16,761	17,558	19,202	18,399	29,134	18,697	19,267	27,639
Parks, recreation and culture	427,676	531,350	417,425	433,592	577,073	559,841	545,334	635,346	429,224	491,009
Community development	278,010	134,458	93,900	121,567	138,839	112,581	4,768	37,805	132,685	8,907
Non-Departmental	-	-	68,140	20,462	25,829	3,762	19,745	15,264	4,469	331
Debt service										
Principal	150,401	98,284	96,951	30,000	112,708	117,331	121,450	125,357	80,130	26,550
Interest	15,175	16,506	14,635	8,211	7,315	19,775	13,021	7,455	3,479	3,727
Total expenditures	3,396,624	3,391,522	3,337,885	3,658,196	3,950,826	3,865,193	3,843,950	4,354,999	4,073,833	4,255,484
Excess of revenues over (under) expenditures	(58,304)	74,448	(82,201)	(105,601)	(212,365)	111,660	123,128	103,484	487,004	552,278
Other Financing Sources (Uses)										
Proceeds from borrowing	-	-	-	-	-	-	-	-	-	-
Insurance Recoveries	-	-	10,901	4,672	9,298	15,195	14,797	64,234	67,425	22,907
Proceeds from sale of assets	610	-	-	-	67,500	-	-	-	-	-
Total other financing sources (uses)	610	-	10,901	4,672	76,798	15,195	14,797	64,234	67,425	22,907
Net change in fund balance	\$ (57,694)	\$ 74,448	\$ (71,300)	\$ (100,929)	\$ (135,567)	\$ 126,855	\$ 137,925	\$ 167,718	\$ 554,429	\$ 575,185
Debt service as a percentage of noncapital expenditures	5.12%	3.50%	3.46%	1.06%	3.13%	3.68%	3.63%	3.15%	2.10%	0.72%

TABLE 5

**TOWN OF BIG STONE GAP, VIRGINIA
ASSESSED VALUE AND ACTUAL VALUE OF ALL PROPERTY (UNAUDITED)
LAST TEN FISCAL YEARS**

Fiscal Years Ended June 30	Public Utilities				Machinery and Tools	Real Estate		Mobile Homes	Total Assessed Value	Total Direct Tax rate per \$100
	Real Estate	Personal Property	Real Estate	Personal Property						
2010	\$173,298,221	\$ 25,419,146	\$ 9,506,935	\$ 61,100	\$ 147,540	\$ 9,506,935	\$ 766,300	\$ 209,199,242	\$ 0.474	
2009	142,455,414	27,402,120	7,689,292	48,315	137,290	7,689,292	839,890	178,572,321	0.458	
2008	140,791,413	27,097,226	8,310,736	105,154	118,670	8,310,736	711,290	177,134,489	0.476	
2007	139,581,582	36,603,741	7,979,530	104,991	107,720	7,979,530	688,590	185,066,154	0.449	
2006	138,217,270	26,394,076	9,931,068	122,021	85,215	9,931,068	637,007	175,386,657	0.478	
2005	142,453,825	22,198,809	10,439,789	147,059	192,000	10,439,789	724,322	176,155,804	0.432	
2004	136,464,849	23,055,798	11,435,267	254,203	237,711	11,435,267	801,608	172,249,436	0.420	
2003	118,169,926	22,528,025	9,745,635	162,898	104,340	9,745,635	753,380	151,464,204	0.436	
2002	117,776,313	23,839,612	9,518,177	177,924	267,145	9,518,177	739,450	152,318,621	0.432	
2001	116,881,213	23,446,822	10,287,808	207,484	219,625	10,287,808	808,820	151,851,772	0.428	

1) Property is assessed at actual value therefore the assessed values are equal to actual value.

TABLE 6

**TOWN OF BIG STONE GAP, VIRGINIA
DIRECT AND OVERLAPPING PROPERTY TAX RATES (UNAUDITED)
LAST TEN FISCAL YEARS**

Fiscal Years Ended June 30	Public Utilities				Machinery and Tools	Real Estate		Mobile Homes	Total Assessed Value	Total Direct Tax rate per \$100
	Real Estate	Personal Property	Real Estate	Personal Property						
2010	\$ 0.44	0.62	\$ 0.44	\$ 0.62	\$ 0.62	\$ 0.44	\$ 0.62	\$ 0.44	\$ 1.49	
2009	0.44	0.62	0.44	0.62	0.62	0.44	0.62	0.44	1.49	
2008	0.44	0.62	0.44	0.62	0.62	0.44	0.62	0.44	1.49	
2007	0.44	0.62	0.44	0.62	0.62	0.44	0.62	0.44	1.49	
2006	0.44	0.62	0.44	0.62	0.62	0.44	0.62	0.44	1.49	
2005	0.39	0.62	0.39	0.62	0.62	0.39	0.62	0.39	1.49	
2004	0.39	0.62	0.39	0.62	0.62	0.39	0.62	0.39	1.49	
2003	0.39	0.62	0.39	0.62	0.62	0.39	0.62	0.39	1.15	
2002	0.39	0.62	0.39	0.62	0.62	0.39	0.62	0.39	1.15	
2001	0.39	0.62	0.39	0.62	0.62	0.39	0.62	0.39	1.15	

1) Rates are presented per \$100 assessed value

TABLE 7

**TOWN OF BIG STONE GAP, VIRGINIA
PRINCIPAL PROPERTY TAX PAYERS (UNAUDITED)
June 30, 2010 and June 30, 2006**

June 30, 2010:

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Percent of Real Estate Levy</u>
One Center Corp	Shopping center	\$ 4,613,000	2.66%
Bunch Family Limited Partners	Investment Company	2,800,400	1.62%
Heritage Hall Holding	Nursing home and elderly care	2,773,200	1.60%
Lonesome Pine Hospital	Health care	2,325,000	1.34%
Heritage Hall Holding	Nursing home and elderly care	1,511,200	0.87%
Don Wax Estate	Estate	1,226,100	0.71%
Powell Valley National Bank	Banking operation	1,103,400	0.64%
One Center Corp	Shopping center	935,300	0.54%
Management Properties Inc.	Investment Company	950,600	0.55%
Don Wax Estate	Estate	834,600	0.48%

June 30, 2006:

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Percent of Real Estate Levy</u>
One Center Corp	Shopping center	\$ 3,935,200	2.85%
Heritage Hall Holding	Nursing home and elderly care	2,457,800	1.76%
Lonesome Pine Hospital	Health care	1,898,000	1.36%
Bunch Family Limited Partners	Investment Company	1,881,000	1.35%
Heritage Hall Holding	Nursing home and elderly care	1,329,200	0.95%
Powell Valley National Bank	Banking operation	921,500	0.66%
One Center Corp	Shopping center	780,500	0.56%
Naelcam LLC	Investment Company	740,100	0.53%
Gilliam, Carl G.	Investment Company	659,800	0.47%
Gardner, Lyle	Investment Company	648,700	0.46%

1) Schedule is ranked by the largest real estate tax assessed value.

2) Data not available for periods prior to June 30, 2006.

TABLE 8

**TOWN OF BIG STONE GAP, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
LAST TEN FISCAL YEARS**

Fiscal Years Ended June 30	Total Tax Levy (1)(2)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections(3)	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Levy
2010	\$ 962,255	\$ 839,768	87.27%	\$ 60,251	900,019	93.53%	\$ 162,652	16.90%
2009	831,123	706,103	84.96%	31,218	737,321	88.71%	162,245	19.52%
2008	827,782	715,216	86.40%	40,322	755,538	91.27%	123,108	14.87%
2007	821,753	734,240	89.35%	15,275	749,515	91.21%	114,914	13.98%
2006	817,501	805,765	98.56%	14,753	820,518	100.37%	88,258	10.80%
2005	738,851	690,830	93.50%	51,694	742,524	100.50%	84,921	11.49%
2004	727,776	673,256	92.51%	33,244	706,500	97.08%	89,871	12.35%
2003	627,330	594,570	94.78%	35,654	630,224	100.46%	84,017	13.39%
2002	645,987	610,151	94.45%	47,854	658,005	101.86%	92,896	14.38%
2001	647,143	617,433	95.41%	16,991	634,424	98.03%	103,962	16.06%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Commonwealth reimbursement for auto tax included in total collections.

TABLE 9

TOWN OF BIG STONE GAP, VIRGINIA
 RATIO OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
 LAST SEVEN FISCAL YEARS

Fiscal Years Ended June 30	Governmental Activities		Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	General Obligation Bonds		Wastewater Bonds			
			Water Bonds					
2010	\$ 85,674	-	\$ 11,435,252	\$ 7,668,127		\$19,189,053	15.23%	\$ 3,286
2009	112,224	-	11,019,967	4,263,321		15,395,512	13.13%	2,630
2008	-	79,596	8,485,007	2,776,890		11,341,493	10.48%	1,937
2007	18,762	186,191	8,620,389	2,964,524		11,789,866	14.04%	2,069
2006	36,404	289,999	8,435,936	2,933,541		11,695,880	13.46%	1,980
2005	-	390,831	7,185,539	3,292,574		10,868,944	10.52%	1,840
2004	-	120,000	1,968,937	3,440,983		5,529,920	7.05%	936

Notes:

- (1) Center for Public Service at the University of Virginia and Big Stone Gap town staff estimates
- (2) Includes all general long-term debt obligations
- (3) Data only available for last seven years

TABLE 10

TOWN OF BIG STONE GAP, VIRGINIA
 RATIO OF GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)
 LAST SEVEN FISCAL YEARS

Fiscal Years Ended June 30	General Bonded Debt Outstanding General Obligation Bonds	Percentage of Actual Taxable Value of		Per Capita
		Property	Property	
2010	\$ 85,674	0.04%	\$ 14.67	
2009	112,224	0.06%	19.17	
2008	-	0.00%	-	
2007	18,762	0.01%	3.29	
2006	36,404	0.02%	6.16	
2005	-	0.00%	-	
2004	-	0.00%	-	

1) Details regarding the town's outstanding debt can be found in the notes to the financial statements

TABLE 11

TOWN OF BIG STONE GAP, VIRGINIA
 LEGAL DEBT MARGIN INFORMATION (UNAUDITED)
 LAST TEN FISCAL YEARS

	Fiscal Years Ended June 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Assessed valuations										
Assessed value of taxed real property	\$ 116,881,213	\$ 117,776,313	\$ 118,169,926	\$ 136,464,849	\$ 142,453,825	\$ 138,217,270	\$ 139,581,582	\$ 140,791,413	\$ 142,455,414	\$ 173,298,221
Legal debt margin										
Debt limit - 10 percent of total assessed value	11,688,121	11,777,631	11,816,993	13,646,485	14,245,383	13,821,727	13,958,158	14,079,141	14,245,541	17,329,822
Debt applicable to limitation:										
Total bonded debt	6,615,269	6,207,612	5,792,137	5,409,920	10,478,113	11,405,882	11,603,675	11,261,897	15,395,312	19,189,053
Less - water and wastewater revenue bonds	(6,615,269)	(6,207,612)	(5,792,137)	(5,409,920)	(10,478,113)	(11,369,478)	(11,584,913)	(11,261,897)	(8,332,137)	(8,110,008)
Total amount of debt applicable to debt limitation	-	-	-	-	-	36,404	18,762	-	7,063,175	11,079,045
Legal debt margin	\$ 11,688,121	\$ 11,777,631	\$ 11,816,993	\$ 13,646,485	\$ 14,245,383	\$ 13,785,323	\$ 13,939,396	\$ 14,079,141	\$ 7,182,366	\$ 6,250,777
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.26%	0.13%	0.00%	49.58%	63.93%

TABLE 12

**TOWN OF BIG STONE GAP, VIRGINIA
PLEGGED-REVENUE COVERAGE (UNAUDITED)
LAST TEN FISCAL YEARS**

Fiscal Years Ended June 30	Water Revenue Bonds						
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2010	\$ 2,448,059	\$ 1,674,175	\$ 773,884	\$ 268,867	\$ 411,984	\$ 680,851	1.14
2009	2,590,632	1,556,626	1,034,006	1,739,185	361,187	2,100,372	0.49
2008	2,451,915	1,533,841	918,074	192,773	336,225	528,998	1.74
2007	1,619,820	1,535,984	83,836	186,661	348,932	535,593	0.16
2006	1,493,323	2,415,831	(922,508)	421,558	343,308	764,866	(1.21)
2005	1,616,708	1,589,122	27,586	93,338	94,691	188,029	0.15
2004	1,210,265	1,185,928	24,337	82,048	98,638	180,686	0.13
2003	1,150,593	1,123,024	27,569	81,122	103,312	184,434	0.15
2002	1,151,451	1,090,767	60,684	74,264	106,470	180,734	0.34
2001	1,179,344	1,305,745	(126,401)	66,488	108,695	175,183	(0.72)

Fiscal Years Ended June 30	Wastewater Revenue Bonds						
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2010	\$ 1,384,341	\$ 796,734	\$ 587,607	\$ 382,611	\$ 64,894	\$ 447,505	1.31
2009	1,266,356	786,454	479,902	729,031	17,333	746,364	0.64
2008	1,226,704	773,575	453,129	381,101	18,570	399,671	1.13
2007	1,251,343	655,408	595,935	381,701	19,799	401,500	1.48
2006	1,222,785	655,617	567,168	359,033	20,967	380,000	1.49
2005	1,308,352	599,795	708,557	336,417	22,085	358,502	1.98
2004	1,135,176	769,501	365,675	335,361	23,141	358,502	1.02
2003	1,104,714	561,209	543,505	334,353	24,148	358,501	1.52
2002	1,100,968	555,689	545,279	333,394	25,107	358,501	1.52
2001	1,085,048	552,080	532,968	332,484	26,018	358,502	1.49

- 1) Details regarding the town's outstanding debt can be found in the notes to the financial statements.
Operating expenses do not include interest, depreciation, or amortization expense.

**TOWN OF BIG STONE GAP, VIRGINIA
DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)
LAST SEVEN YEARS**

Fiscal Years Ended June 30	Population	Personal Income	Per Capita Median Income	Median Age	School Enrollment	Unemployment Rate
2010	5,839	\$126,028,976	\$ 21,584	39.8	1,795	6.80%
2009	5,854	117,267,328	20,032	39.2	1,762	6.60%
2008	5,854	108,176,066	18,479	39.8	1,733	4.10%
2007	5,698	83,960,030	14,735	38.6	1,647	4.10%
2006	5,906	86,877,260	14,710	39.7	1,652	4.80%
2005	5,906	103,278,222	17,487	38.8	1,722	5.00%
2004	5,906	78,455,304	13,284	39.8	1,683	5.70%

- 1) Source: census data, Spurling's Best Places, Dept. of Labor and IDCIDE.com
- 2) Data only available for last seven years

TABLE 14

**TOWN OF BIG STONE GAP, VIRGINIA
PRINCIPAL EMPLOYERS (UNAUDITED)
CURRENT YEAR AND FOUR YEARS AGO**

June 30, 2010

<u>Employer</u>	<u>Product or Service</u>	<u>Total Estimated Employment*</u>
Wallens Ridge Correctional Center	Public Agency	415
Lonesome Pine Hospital	Health Care	281
Mountain Empire Older Citizens	Public Agency	275
Riggs Oil Company	Fuel Distributor/Retail Sales	174

June 30, 2006

<u>Employer</u>	<u>Product or Service</u>	<u>Total Estimated Employment*</u>
Wallens Ridge Correctional Center	Public Agency	438
Lonesome Pine Hospital	Health Care	404
Mountain Empire Community College	Public Agency	374
Town of Big Stone Gap	Public Agency	85

1) Fiscal year 2005-06 is first year of data available

2) Source: Department of Labor

TABLE 15

TOWN OF BIG STONE GAP, VIRGINIA
FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION (UNADITED)
LAST FIVE FISCAL YEARS

Function	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General government					
Management services	1	1	1	1	1
Finance	2	2	2	2	2
Planning	0	0	0	0	0
Building	1	1	1	1	1
Other	6.5	7	8	8	6.5
Public safety					
Officers	16	17	18	18	16.5
Civilians	3	3	3	3	3
Public works					
Refuse collection	3	3	4	4	4
Streets	2	10	7	8	7
other	10	9	10	9	11
Parks and recreation					
Parks	6.5	5.5	6	5.5	5.5
Other	7.5	7.5	8	5.5	6
Water operations	5	6	7	7	7.5
Wastewater operations	4.5	4.5	4.5	4.5	4

1) Source: Town's finance department

TOWN OF BIG STONE GAP, VIRGINIA
OPERATING INDICATORS BY FUNCTION (UNAUDITED)
LAST FIVE FISCAL YEARS

<u>Function</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public safety					
Citations written	1,225	1,240	1,583	1,818	1,288
Water operations					
Number of service connections	3,925	3,911	3,922	3,941	3,947
Average daily consumption in gallons	852,000	762,000	762,000	884,034	786,236
Maximum daily capacity of plant in gallons	3,180,000	3,180,000	3,180,000	3,180,000	3,180,000
Wastewater operations					
Number of service connections	2,664	2,723	2,639	2,438	2,660
Average daily treatment in gallons	1,580,000	1,580,000	1,580,000	1,796,167	1,251,478
Maximum daily capacity of plant in gallons	2,000,000	2,000,000	2,000,000	2,000,000	4,000,000

**TOWN OF BIG STONE GAP, VIRGINIA
CAPITAL ASSET STATISTICS BY FUNCTION (UNAUDITED)
LAST FIVE FISCAL YEARS**

<u>Function</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public safety					
Stations	1	1	1	1	1
Number of patrol units	10	10	10	10	10
Public works					
Streets (miles)	56	56	56	56	56
Streetlights	574	574	574	574	574
Traffic signals	7	7	7	7	7
Water operations					
Miles of water main	56	56	56	56	56
Number of fire hydrants	300	300	300	300	300
Wastewater operations					
Miles of sanitary sewers	12	12	12	12	12
Miles of storm sewers	8	8	8	8	8
Number of treatment plants	1	1	1	1	1
Number of pumping stations	6	6	6	6	6