

TOWN OF BIG STONE GAP, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2013

TOWN OF BIG STONE GAP, VIRGINIA
TABLE OF CONTENTS

June 30, 2013

**Beginning
Page #**

- 4 TOWN OFFICIALS
5 MANAGEMENT'S DISCUSSION AND ANALYSIS

INDEPENDENT AUDITOR'S REPORTS

- 8 INDEPENDENT AUDITOR'S REPORT
10 INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
12 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
14 REPORT ON COMPLIANCE WITH COMMONWEALTH OF VIRGINIA LAWS, REGULATIONS, CONTRACTS, AND GRANTS

FINANCIAL STATEMENTS

- 15 EXHIBIT 1 STATEMENT OF NET POSITION
16 EXHIBIT 2 STATEMENT OF ACTIVITIES
17 EXHIBIT 3 BALANCE SHEET – GOVERNMENTAL FUNDS
18 EXHIBIT 4 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUNDS
19 EXHIBIT 5 RECONCILIATION OF THE REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
20 EXHIBIT 6 ENTERPRISE FUNDS – STATEMENT OF NET POSITION
21 EXHIBIT 7 ENTERPRISE FUNDS – STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
22 EXHIBIT 8 ENTERPRISE FUNDS – STATEMENT OF CASH FLOWS
23 NOTES TO FINANCIAL STATEMENTS

SUPPORTING SCHEDULES

- 44 SCHEDULE 1 GOVERNMENTAL FUND REVENUES – BUDGETARY COMPARISON SCHEDULE
46 SCHEDULE 2 GOVERNMENTAL FUND EXPENDITURES - BUDGETARY COMPARISON SCHEDULE
49 SCHEDULE 3 STATEMENT OF THE TREASURER'S ACCOUNTABILITY
50 SCHEDULE 4 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
51 SCHEDULE 5 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

STATISTICAL DATA

- 53 TABLE 1 NET POSITION BY COMPONENT
54 TABLE 2 CHANGES IN NET POSITION
56 TABLE 3 FUND BALANCES, GOVERNMENTAL FUNDS
57 TABLE 4 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
58 TABLE 5 ASSESSED VALUE AND ACTUAL VALUE OF ALL PROPERTY

TOWN OF BIG STONE GAP, VIRGINIA

TABLE OF CONTENTS

(Continued)

June 30, 2013

58	TABLE 6	DIRECT AND OVERLAPPED PROPERTY TAX RATES
59	TABLE 7	PRINCIPAL PROPERTY TAX PAYERS
60	TABLE 8	PROPERTY TAX LEVIES AND COLLECTIONS
61	TABLE 9	RATIO OF OUTSTANDING DEBT BY TYPE
61	TABLE 10	RATIO OF GENERAL BONDED DEBT OUTSTANDING
62	TABLE 11	LEGAL DEBT MARGIN INFORMATION
63	TABLE 12	PLEGGED-REVENUE COVERAGE
64	TABLE 13	DEMOGRAPHIC AND ECONOMIC STATISTICS
65	TABLE 14	PRINCIPAL EMPLOYERS
66	TABLE 15	FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES FY FUNCTION
67	TABLE 16	OPERATING INDICATORS BY FUNCTION
68	TABLE 17	CAPITAL ASSET STATISTICS BY FUNCTION

TOWN OF BIG STONE GAP, VIRGINIA
TOWN OFFICIALS

June 30, 2013

TOWN COUNCIL:

Nancy Bailey, Mayor
Greg Dalton, Vice-Mayor
Freddie Allison
James A. Stone
Crystal Lyke
Leonard Rogers
Gary Johnson

TOWN OFFICERS:

Pat Murphy, Town Manager
Steve Hamm, 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 27, 2013

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, 2013.

Financial Highlights

- The assets of the Town exceeded its liabilities at the end of the fiscal year by \$ 21,818,043 (net position). Of this amount, \$ 20,244,115 can be used to meet the Town's ongoing obligations.
- At June 30, 2013, the Town reported combined ending fund balances of \$ 2,558,478, an increase of \$285,358 in comparison with the prior year. Approximately 6.65 % of this total amount is available for spending at the Town Council's discretion. (unassigned fund balance).
- As of June 30, 2013, the General Fund had a total Fund Balance of \$ 2,478,973.
- The Town of Big Stone Gap's total debt decreased by \$ 880,008 during the fiscal year. The total debt outstanding as of June 30, 2013 was \$ 17,025,649.
- As of June 30, 2013, the Town's Legal Debt Margin was \$ 17,669,085.
- The Water/Sewer Proprietary Fund had a decrease in Net Position for the year of \$37,700.

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 position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases to net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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 Position – June 30, 2013

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Current & other assets	\$ 3,389,240	\$ 1,239,361	\$ 4,628,601
Capital assets	\$ 5,207,760	\$ 29,478,905	\$ 34,686,665
Other noncurrent assets	\$ -0-	\$ 1,048,231	\$ 1,048,231
Total Assets	\$ 8,597,000	\$ 31,766,497	\$ 40,363,497
Current & other liabilities	\$ 973,110	\$ 1,180,123	\$ 2,153,233
Long-term liabilities	\$ 382,720	\$ 16,009,501	\$ 16,392,221
Total Liabilities	\$ 1,355,830	\$ 17,189,624	\$ 18,545,454
Net Position:			
Invested in Capital assets (Net of related debt)	\$ 4,918,489	\$ 13,790,758	\$ 18,709,247
Restricted	\$ 420,705	\$ 519,418	\$ 940,123
Unrestricted	\$ 1,901,976	\$ 266,697	\$ 2,168,673
Total Net Position	\$ 7,241,170	\$ 14,576,873	\$ 21,818,043

Net position serves as a useful indicator of a government's financial position. The Town's combined net position totals \$ 21,818,043. 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 \$ 18,709,247. 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 position includes \$ 1,588,988 non-spendable, \$ 341,200 restricted, \$ 309,250 committed, \$ 69,424 assigned, and \$ 170,111 is unassigned and may be used to meet the Town's ongoing obligations to citizens and creditors.

Governmental Activities – Governmental activities increased the Town's net position by \$ 368,256. Key elements of this increase are as follows:

	Governmental Activities Year Ended June 30, 2013
Revenues:	
Program Revenues:	
Charges for Services	\$ 450,749
Operating Grants and Contributions	\$ 1,532,375
Capital Grants and Contributions	\$ 248,357
General Revenues:	
Property Taxes	\$ 996,372
Other Local Taxes	\$ 1,613,572
Unrestricted Intergovernmental Revenue	\$ 60,080
Unrestricted Investment Earnings	\$ 2,507
Other	\$ 242,636
Total Revenues	\$ 5,146,648
Expenses:	
General Government	\$ 825,324
Public Safety	\$ 1,770,301
Public Works	\$ 1,321,308
Health and Welfare	\$ 34,398
Parks, Recreation, Culture	\$ 654,966
Community Development	\$ 155,970
Interest on Long Term Debt	\$ 16,125
Non-departmental	\$ -0-
Total Expenses	\$ 4,778,392
Increase (Decrease) in Net Position	\$ 368,256

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>2013</u>	<u>2012</u>
General Property Taxes	\$ 991,818	\$ 975,224
Other Local Taxes	\$ 1,613,572	\$ 1,739,047
Permits, Privilege Fees and Regulatory Licenses	\$ 3,078	\$ 3,726
Fines and Forfeitures	\$ 19,335	\$ 28,408
Revenue From Use of Money and Property	\$ 46,600	\$ 14,456
Charges for Services	\$ 449,153	\$ 504,912
Miscellaneous	\$ 113,552	\$ 70,322
Recovered Costs	\$ 121,525	\$ 122,675
Inter-Governmental	\$ 1,772,320	\$ 1,231,738

The Town’s assessed value of real estate for the year was \$ 176,690,845. The real estate tax rate is \$.44 per \$ 100 of assessed value. For the year, the percent of levy collected was 92.96%

The Town’s business type activity is the Water/Sewer Proprietary Fund. During the year this fund had net loss (change in net position) of \$ 37,700. Cash and cash equivalents decreased by \$ 1,016,394 to \$ 885,100.

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	\$ 6,556,112	\$ 5,235,412	\$(1,320,700)
Total Expenses	<u>\$ 6,556,112</u>	<u>\$ 5,000,522</u>	\$ 1,555,590
Excess of Revenues Over Expenses	\$ -0-	\$ 234,890	

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.

THROWER, BLANTON & ASSOCIATES, P.C.
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Big Stone Gap, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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 June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 21 to the financial statements, in fiscal year 2013, the Town adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 7 and 44 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The statistical section and compliance section information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2013 on our consideration of the Town of Big Stone Gap's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.


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

Norton, Virginia
November 27, 2013

THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the 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, 2013, and the related notes to the financial statements, which collectively comprise the Town of Big Stone Gap, Virginia's basic financial statements, and have issued our report thereon dated November 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements for the year ended June 30, 2013, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Town's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

Compliance and Other Matters

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

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

*(Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards)*

We noted certain matters that we reported to management of the Town of Big Stone Gap, Virginia in a separate letter dated November 27, 2013.

Purpose of this Report

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

Thrower, Blanton & Associates, P.C.

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

Norton, Virginia
November 27, 2013

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

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Big Stone Gap, Virginia's compliance 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 the Town's major federal programs for the year ended June 30, 2013. The Town's major federal programs are identified in the summary of Federal Awards section of the accompanying supplemental schedules.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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)

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

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

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


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

Norton, Virginia
November 27, 2013

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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, 2013, and have issued our report thereon dated November 27, 2013.

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 | * Debt Provisions |
| * Cash and Investment Laws | * Procurement |
| * Conflicts of Interest | * Unclaimed Property |
| * Retirement Systems | |

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

November 27, 2013

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2013

EXHIBIT I

	Primary Government		Total
	Governmental Activities	Business Type Activities	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 882,755	\$ 1,280,911	\$ 2,163,666
Receivables:			
Taxes	143,159	-	143,159
Accounts	28,624	353,718	382,342
Other	78,473	-	78,473
Prepaid expenses	7,597	543	8,140
Deferred bond expense	-	-	-
Due from other governmental units	278,893	-	278,893
Internal Balances	1,581,391	(1,581,391)	-
Restricted Assets:			
Cash	388,348	1,185,580	1,573,928
Capital assets, depreciable, net	1,950,586	29,478,905	31,429,491
Capital assets, non-depreciable	3,257,174	1,048,231	4,305,405
TOTAL ASSETS	\$ 8,597,000	\$31,766,497	\$ 40,363,497
 <u>LIABILITIES</u>			
Accounts payable	\$ 360,496	\$ 58,947	\$ 419,443
Accrued liabilities and wages	136,339	65,187	201,526
Payable From Restricted Assets:			
Deposits	-	114,700	114,700
Drug task force reserve	211,726	-	211,726
Deferred revenue	-	-	-
Matured revenue interest	-	26,063	26,063
OPEB liability	138,417	62,122	200,539
Long-term liabilities			
Due within one year	48,969	810,288	859,257
Due in more than one year	240,302	15,926,090	16,166,392
Compensated absences			
Due within one year	77,163	42,816	119,979
Due in more than one year	142,418	83,411	225,829
Total Liabilities	1,355,830	17,189,624	18,545,454
 <u>NET POSITION</u>			
Net investment in capital assets	4,918,489	13,790,758	18,709,247
Restricted	420,705	519,418	940,123
Unrestricted	1,901,976	266,697	2,168,673
Total Net Position	\$ 7,241,170	\$14,576,873	\$ 21,818,043

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF ACTIVITIES
June 30, 2013

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
Governmental Activities:						
General government	\$ 825,324	\$ -	\$ -	\$ -	\$ (825,324)	\$ (825,324)
Public safety	1,770,301	95,712	488,721	25,000	(1,160,868)	(1,160,868)
Public works	1,321,308	294,306	1,025,854	-	(1,148)	(1,148)
Health and welfare	34,398	-	-	-	(34,398)	(34,398)
Parks, recreation, and cultural	654,966	59,135	17,800	68,492	(509,539)	(509,539)
Community development	155,970	1,596	-	154,865	491	491
Interest on long-term debt	16,125	-	-	-	(16,125)	(16,125)
Non-departmental	-	-	-	-	-	-
Total Governmental Activities	4,778,392	450,749	1,532,375	248,357	(2,546,911)	(2,546,911)
Business-Type Activities:						
Water	2,910,990	2,493,380	-	167,113	-	(250,497)
Wastewater	1,555,631	1,412,109	-	348,442	-	204,920
Total Business-Type Activities	4,466,621	3,905,489	-	515,555	-	(45,577)
TOTAL PRIMARY GOVERNMENT	\$ 9,245,013	\$ 4,356,238	\$ 1,532,375	\$ 763,912	\$ (2,546,911)	\$ (45,577)

General Revenues:

Property taxes	996,372	-	996,372
Local sales & use tax	200,693	-	200,693
Utility tax	108,135	-	108,135
Business license tax	262,667	-	262,667
Communication taxes	212,801	-	212,801
Motor vehicle license	54,952	-	54,952
Bank stock tax	98,302	-	98,302
Cigarette tax	33,135	-	33,135
Hotel and motel room tax	10,695	-	10,695
Restaurant food tax	524,473	-	524,473
Coal road improvement tax	107,719	-	107,719
Unrestricted intergovernmental revenue	60,080	-	60,080
Unrestricted investment earnings	2,507	7,877	10,384
Rental of Town property	44,152	-	44,152
Gain on sale of capital assets	-	-	-
Recovered Costs	121,525	-	121,525
Other	76,959	-	76,959
Total general revenues and transfers	2,915,167	7,877	2,923,044
Change in net assets	368,256	(37,700)	330,556
PRIOR PERIOD ADJUSTMENT	-	(59,950)	(59,950)
NET POSITION - JULY 1	6,872,914	14,674,523	21,547,437
NET POSITION - JUNE 30	\$ 7,241,170	\$ 14,576,873	\$ 21,818,043

TOWN OF BIG STONE GAP, VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
Year Ended June 30, 2013

EXHIBIT 3

	General Fund	Special Revenue Fund	Total
ASSETS			
Cash and cash equivalents	\$ 803,396	\$ 79,359	\$ 882,755
Receivables:			
Taxes	143,159	-	143,159
Accounts	25,496	146	25,642
Other	78,473	-	78,473
Prepaid expenses	7,597	-	7,597
Due from other funds	1,581,391	-	1,581,391
Due from other governmental units	278,893	-	278,893
Restricted Assets:			
Cash	388,348	-	388,348
Total Assets	<u>\$ 3,306,753</u>	<u>\$ 79,505</u>	<u>\$ 3,386,258</u>
LIABILITIES			
Accounts payable	\$ 360,496	\$ -	\$ 360,496
Accrued payroll and related liabilities	136,339	-	136,339
Payable From Restricted Assets:			
Drug task force reserve	211,726	-	211,726
Due to other funds	-	-	-
Total Liabilities	<u>708,561</u>	<u>-</u>	<u>708,561</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	119,219	-	119,219
Total Deferred Inflows of Resources	<u>119,219</u>	<u>-</u>	<u>119,219</u>
FUND BALANCES:			
Nonspendable	1,588,988	-	1,588,988
Restricted	341,200	79,505	420,705
Committed	309,250	-	309,250
Assigned	69,424	-	69,424
Unassigned	170,111	-	170,111
Total Fund Balances	<u>2,478,973</u>	<u>79,505</u>	<u>2,558,478</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>\$ 3,306,753</u>	<u>\$ 79,505</u>	<u>\$ 3,386,258</u>
Total Fund Balances	<u>\$ 2,558,478</u>		
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.	5,207,760		
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	122,201		
Other liabilities are not required to be paid out of current financial resources and, therefore, are not reported in the governmental funds.	(357,998)		
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(289,271)</u>		
Net Position of Governmental Activities	<u>\$ 7,241,170</u>		

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
Year Ended June 30, 2013

EXHIBIT 4

	<u>GOVERNMENTAL FUNDS</u>		<u>TOTAL</u>
	<u>General</u>	<u>Special Revenue</u>	<u>June 30, 2013</u>
REVENUES:			
General property taxes	\$ 991,818	\$ -	\$ 991,818
Other local taxes	1,613,572	-	1,613,572
Permits, privilege fees and regulatory licenses	3,078	-	3,078
Fines and forfeitures	19,335	-	19,335
Revenue from use of money and property	46,600	59	46,659
Charges for services	449,153	1,596	450,749
Miscellaneous	113,552	-	113,552
Recovered costs	121,525	-	121,525
Intergovernmental	1,772,320	-	1,772,320
Total Revenues	<u>5,130,953</u>	<u>1,655</u>	<u>5,132,608</u>
EXPENDITURES:			
Current:			
General government administration	928,404	-	928,404
Public safety	1,797,006	-	1,797,006
Public works	1,294,684	-	1,294,684
Health and welfare	34,398	-	34,398
Parks, recreation and cultural	705,609	-	705,609
Community development	155,970	-	155,970
Non-departmental	-	-	-
Debt Service:			
Principle retirement	68,326	-	68,326
Interest	16,125	-	16,125
Total Expenditures	<u>5,000,522</u>	<u>-</u>	<u>5,000,522</u>
Excess (Deficiency) of Revenues Over Expenditures	130,431	1,655	132,086
OTHER FINANCING SOURCES (USES):			
Sale of property	-	-	-
Insurance recoveries	10,502	-	10,502
Loan proceeds	92,302	-	92,302
Transfers in (out)	-	-	-
Total Other Financing Sources (Uses)	<u>102,804</u>	<u>-</u>	<u>102,804</u>
Net Change in Fund Balance	233,235	1,655	234,890
FUND BALANCE AT JULY 1	<u>2,245,738</u>	<u>77,850</u>	<u>2,323,588</u>
FUND BALANCE AT JUNE 30	<u>\$ 2,478,973</u>	<u>\$ 79,505</u>	<u>\$ 2,558,478</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, 2013

EXHIBIT 5

	General Fund
Net Change in Fund Balance Governmental Fund:	\$ 234,890
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.	219,312
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.	3,538
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.	(23,976)
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.	(65,508)
Change in Net Position of Governmental Activities	\$ 368,256

TOWN OF BIG STONE GAP, VIRGINIA
BALANCE SHEET
PROPRIETARY FUNDS
June 30, 2013

EXHIBIT 6

	Water Fund 2013	Sewer Fund 2013	TOTAL June 30, 2013
ASSETS			
Cash and cash equivalents	\$ 671,188	\$ 609,723	\$ 1,280,911
Receivables (Net of Allowance for Uncollectibles):			
Accounts	239,993	113,725	353,718
Accrued interest	-	-	-
Due from other funds	-	1,581,435	1,581,435
Prepaid expenses	372	171	543
Deferred bond expense	-	-	-
Restricted Assets:			
Cash	776,819	408,761	1,185,580
Land	810,000	70,000	880,000
Capital assets, net	17,204,163	12,442,973	29,647,136
TOTAL ASSETS	\$19,702,535	\$ 15,226,788	\$ 34,929,323
 LIABILITIES			
Current liabilities:			
Accounts payable	\$ 38,983	\$ 19,964	\$ 58,947
Accrued wages and liabilities	43,942	21,245	65,187
Payable From Restricted Assets:			
Customer deposits	114,700	-	114,700
Due to other funds	2,831,475	331,351	3,162,826
Accrued interest payable	21,309	4,754	26,063
Bonds and notes payable	354,222	456,066	810,288
Compensated absences	31,707	11,109	42,816
Total Current Liabilities	3,436,338	844,489	4,280,827
Noncurrent liabilities:			
Bonds and notes payable	10,399,105	5,526,985	15,926,090
OPEB liability	44,245	17,877	62,122
Compensated absences	60,612	22,799	83,411
Total Noncurrent Liabilities	10,503,962	5,567,661	16,071,623
Total Liabilities	13,940,300	6,412,150	20,352,450
 NET POSITION			
Net investment in capital assets	7,260,836	6,529,922	13,790,758
Restricted-Debt Service	129,041	390,377	519,418
Unrestricted	(1,627,642)	1,894,339	266,697
Total Net Position	5,762,235	8,814,638	14,576,873
TOTAL LIABILITIES AND NET POSITION	\$19,702,535	\$ 15,226,788	\$ 34,929,323

TOWN OF BIG STONE GAP, VIRGINIA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
For the Year Ended June 30, 2013

EXHIBIT 7

	<u>Water Fund</u> <u>June 30,</u> <u>2013</u>	<u>Sewer Fund</u> <u>June 30,</u> <u>2013</u>	<u>TOTAL</u> <u>June 30,</u> <u>2013</u>
OPERATING REVENUES:			
Water rents	\$ 2,479,306	\$ -	\$ 2,479,306
Sewer rents	-	1,411,339	1,411,339
Sale of labor and materials	7,085	370	7,455
Water and sewer tap fees	5,900	400	6,300
Miscellaneous	<u>1,089</u>	<u>-</u>	<u>1,089</u>
 Total Operating Revenues	 <u>2,493,380</u>	 <u>1,412,109</u>	 <u>3,905,489</u>
 OPERATING EXPENSES:			
Personal services	652,288	325,674	977,962
Fringe benefits	276,040	128,103	404,143
Contractual services	153,717	43,289	197,006
Other charges	861,531	375,396	1,236,927
Depreciation	<u>598,912</u>	<u>608,284</u>	<u>1,207,196</u>
 Total Operating Expenses	 <u>2,542,488</u>	 <u>1,480,746</u>	 <u>4,023,234</u>
 Operating Income (Loss)	 <u>(49,108)</u>	 <u>(68,637)</u>	 <u>(117,745)</u>
 NON-OPERATING REVENUES (EXPENSES) :			
Grant revenue	146,142	348,442	494,584
Interconnect revenue	20,971	-	20,971
Interest income	5,625	2,252	7,877
Interest expense	<u>(368,502)</u>	<u>(74,885)</u>	<u>(443,387)</u>
 Total Non-Operating Revenue (Expenses)	 <u>(195,764)</u>	 <u>275,809</u>	 <u>80,045</u>
 CHANGE IN NET ASSETS	 <u>(244,872)</u>	 <u>207,172</u>	 <u>(37,700)</u>
 PRIOR PERIOD ADJUSTMENT	 <u>(48,476)</u>	 <u>(11,474)</u>	 <u>(59,950)</u>
 NET POSITION AT JULY 1	 <u>6,055,583</u>	 <u>8,618,940</u>	 <u>14,674,523</u>
 NET POSITION AT JUNE 30	 <u>\$ 5,762,235</u>	 <u>\$ 8,814,638</u>	 <u>\$14,576,873</u>

TOWN OF BIG STONE GAP, VIRGINIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2013

EXHIBIT 8

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 2,455,553	\$ 1,417,079	\$ 3,872,632
Cash payments to suppliers for goods and services	(1,363,728)	(610,026)	(1,973,754)
Cash payments to employees for services	(642,693)	(314,865)	(957,558)
Other operating income	14,074	770	14,844
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>463,206</u>	<u>492,958</u>	<u>956,164</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Increase (decrease) in customer deposits	6,500	-	6,500
(Increase) decrease in due from other funds/governments	-	(230)	(230)
Increase (decrease) in due to other funds	1,250,270	331,351	1,581,621
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>1,256,770</u>	<u>331,121</u>	<u>1,587,891</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
(Increase) decrease in capital assets	(589,767)	(395,248)	(985,015)
(Increase) decrease in construction in progress	(168,231)	-	(168,231)
Principle paid on revenue bond maturities and equipment contracts	(344,148)	(613,008)	(957,156)
Principle advances from bond and note proceeds	31,308	21,865	53,173
Contributed capital and Grant revenue	167,113	348,442	515,555
Interest paid on revenue bonds and equipment contracts	(370,033)	(75,228)	(445,261)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,273,758)</u>	<u>(713,177)</u>	<u>(1,986,935)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	5,625	2,252	7,877
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>5,625</u>	<u>2,252</u>	<u>7,877</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	451,843	113,154	564,997
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>996,164</u>	<u>905,330</u>	<u>1,901,494</u>
Cash and Cash Equivalents at June 30, 2013			
Unrestricted	\$ 671,188	\$ 609,723	\$ 1,280,911
Restricted	776,819	408,761	1,185,580
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,448,007</u>	<u>\$ 1,018,484</u>	<u>\$ 2,466,491</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (49,108)	\$ (68,637)	\$ (117,745)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	598,912	608,284	1,207,196
Provision for compensated absences	(5,086)	1,627	(3,459)
Change in Assets and Liabilities:			
(Increase) decrease in accounts receivable	(23,753)	5,740	(18,013)
Increase (decrease) in accounts payable	(84,471)	(68,827)	(153,298)
Increase (decrease) in wages payable	14,681	9,182	23,863
Increase (decrease) in OPEB liability	11,749	5,107	16,856
(Increase) decrease in prepaid expenses	282	482	764
TOTAL ADJUSTMENTS	<u>512,314</u>	<u>561,595</u>	<u>1,073,909</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 463,206</u>	<u>\$ 492,958</u>	<u>\$ 956,164</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.

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

Page 1

June 30, 2013

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 position and the statement of changes in net position) 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.

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, 2013

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 and Commitments

The Town utilizes encumbrance accounting in its governmental funds. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which a purchase order, contract, or other commitment is issued. Generally, all unencumbered appropriations lapse at year end, except those for capital projects. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year. Open encumbrances at fiscal yearend are included in restricted, committed, or assigned fund balance, as appropriate.

Investments

No investments existed as of June 30, 2013. 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, 2013

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.

Fund Equity

Beginning with the fiscal year ended June 30, 2011, the Town implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town has classified Prepaid Items as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. These amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council or through the Town Council delegating this responsibility to the Town manager through the budgetary process.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The Unassigned classification amounts are available for any purpose. Positive Unassigned amounts are reported in the General Fund only. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

Beginning fund balances for the Town's governmental funds have been restated to reflect the above classifications.

The Town would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

June 30, 2013

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 \$227,352 at June 30, 2013, and is composed of the following:

General Fund:	
Allowance for uncollectible property taxes	\$ 78,676
Allowance for uncollectible garbage fees	<u>10,727</u>
Total General Fund	<u>\$ 89,403</u>
Water and Sewer Fund:	
Allowance for uncollectible water and sewer fee billings	\$137,949
Total Water and Sewer Fund	<u>\$137,949</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).

Concentration of Credit Risk:

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

Powell Valley National Bank	61%
Wells Fargo	15%
Branch Bank and Trust	10%
New Peoples Bank	14%

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS
Page 6

June 30, 2013

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

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, 2013, 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	\$ 500
Deposits	1,389,700
Investments	<u>2,347,394</u>
	<u>\$3,737,594</u>

Statement of net position:

Cash and cash equivalents	\$2,163,666
Investments	-
Restricted cash and cash equivalents	<u>1,573,928</u>
	<u>\$3,737,594</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	\$ 50,966	
Fire program funds	2,505	
Coal haul road tax	85,000	
DMV grant	2,718	
Communication tax	<u>30,939</u>	
Total Commonwealth of Virginia		\$172,128
Federal government:		
Downtown revitalization	\$ 79,937	
Rural Development	<u>6,167</u>	
Total Federal Government		86,104
Wise County:		
Coal severance taxes	\$ 19,598	
Court fines/transfer fees	<u>1,063</u>	
Total Wise County		<u>20,661</u>
Total Due From Other Governmental Units		<u>\$278,893</u>

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS
Page 7

June 30, 2013

6. INTERFUND OBLIGATIONS

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Water Fund	\$1,250,040	-
Sewer Fund	331,351	-
Special Revenue Fund	-	-
Water Fund:		
General Fund	-	1,250,040
Sewer Fund	-	1,581,435
Sewer Fund:		
Water Fund	1,581,435	-
General Fund	-	331,351
Special Revenue Fund:		
General Fund	-	-
Totals	<u>\$3,162,826</u>	<u>\$3,162,826</u>

7. CAPITAL ASSETS

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

Governmental activities:		
General government		\$ 58,764
Public safety		107,216
Public works		63,163
Parks, recreation and cultural		18,423
Total depreciation expense – governmental activities		<u>\$ 247,566</u>
Business-type activities:		
Water and sewer		<u>\$ 1,207,196</u>
Total depreciation expense – business-type activity		<u>\$ 1,207,196</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	\$2,420,997	\$ 31,790	\$ -	\$2,452,787
Infrastructure	4,145,393	42,110	-	4,185,503
Equipment	<u>2,751,699</u>	<u>175,155</u>	<u>(24,354)</u>	<u>2,902,500</u>
Total Capital Assets, depreciable	<u>9,318,089</u>	<u>249,055</u>	<u>(24,354)</u>	<u>9,542,790</u>
Less accumulated depreciation for				
Buildings and improvements	\$1,423,820	\$ 67,802	\$ -	\$1,491,622
Infrastructure	3,725,663	15,828	-	3,741,491
Equipment	<u>2,219,509</u>	<u>163,936</u>	<u>(24,354)</u>	<u>2,359,091</u>
Total accumulated depreciation	<u>7,368,992</u>	<u>247,566</u>	<u>(24,354)</u>	<u>7,592,204</u>
Total Capital Assets, depreciable, net	<u>\$1,949,097</u>	<u>\$ 1,489</u>	<u>\$(-)</u>	<u>\$1,950,586</u>

TOWN OF BIG STONE GAP
 NOTES TO FINANCIAL STATEMENTS
 Page 8

June 30, 2013

8. *CHANGES IN CAPITAL ASSETS (Continued)*

Business Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, depreciable				
Buildings	\$ 214,200	\$ 44,117	\$ (-)	\$ 258,317
Improvements	45,244,761	845,726	(-)	46,090,487
Equipment	1,168,466	75,173	(-)	1,243,639
Total Capital Assets, depreciable	<u>46,627,427</u>	<u>965,016</u>	<u>(-)</u>	<u>47,592,443</u>
Less accumulated depreciation for				
Buildings	\$ 207,100	\$ 1,119	\$ (-)	\$ 208,219
Improvements	15,735,897	1,133,138	(-)	16,869,035
Equipment	963,345	72,939	(-)	1,036,284
Total accumulated depreciation	<u>16,906,342</u>	<u>1,207,196</u>	<u>(-)</u>	<u>18,113,538</u>
Total Capital Assets, depreciable, net	<u>\$29,721,085</u>	<u>\$(242,180)</u>	<u>\$(-)</u>	<u>\$29,478,905</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	\$ 32,000	\$ -	\$2,487,135
Construction in progress	584,216	185,823	(-)	770,039
Total Capital Assets, Non-depreciable	<u>\$3,039,351</u>	<u>\$ 217,823</u>	<u>\$(-)</u>	<u>\$3,257,174</u>

Business Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable				
Land	\$ 860,000	\$ 20,000	\$ -	\$ 880,000
Constructions in progress	-	168,231	-	168,231
Total Capital Assets, Non-depreciable	<u>\$ 860,000</u>	<u>\$ 168,231</u>	<u>\$(-)</u>	<u>\$1,048,231</u>

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS
Page 9

June 30, 2013

9. LONG-TERM DEBT

The annual requirements to amortize all debt outstanding as of June 30, 2013, 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
2014	\$ 146,592	\$ 22,272	\$ 36,025	\$ 115,355	\$ 38,282	\$ -	\$ 29,906	\$ -
2015	149,850	19,130	37,540	113,840	38,282	-	29,906	-
2016	153,107	15,919	39,118	112,262	38,282	-	29,906	-
2017	156,365	12,638	40,763	110,617	38,282	-	29,906	-
2018	159,623	9,289	42,476	108,904	38,282	-	29,906	-
2019-2023	358,336	8,546	240,714	516,186	191,410	-	149,530	-
2024-2028	-	-	295,748	461,151	191,410	-	149,530	-
2029-2033	-	-	363,365	393,535	191,410	-	149,530	-
2034-2038	-	-	446,439	310,461	92,266	-	149,530	-
2039-2043	-	-	548,505	208,575	-	-	29,901	-
2044-2048	-	-	673,908	82,992	-	-	-	-
2049-2053	-	-	48,637	406	-	-	-	-
Totals	\$1,123,873	\$ 87,794	\$2,813,238	\$2,534,284	\$ 857,906	\$ -	\$ 777,551	\$ -

Years Ending June 30,	Water Revenue Bond		Water Revenue Bond		Water Note Payable		General Obligation Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 56,995	\$ 157,085	\$ 21,217	\$ 59,064	\$ 1,331	\$ 19	\$ -	\$ -
2015	59,539	154,541	22,164	58,116	-	-	3,880	4,341
2016	62,197	151,883	23,153	57,127	-	-	7,935	10,743
2017	64,973	149,107	24,186	56,094	-	-	8,175	10,503
2018	67,873	146,207	25,266	55,014	-	-	8,422	10,256
2019-2023	387,609	682,731	144,289	257,111	-	-	2,896	5,033
2024-2028	482,194	588,206	179,499	221,901	-	-	-	-
2029-2033	599,862	470,538	223,300	178,100	-	-	-	-
2034-2038	746,244	324,156	277,793	123,607	-	-	-	-
2039-2043	928,347	142,053	345,581	55,819	-	-	-	-
2044-2048	159,376	3,044	73,495	1,638	-	-	-	-
2049-2053	-	-	-	-	-	-	-	-
Totals	\$3,615,209	\$ 2,969,551	\$1,359,943	\$1,123,591	\$ 1,331	\$ 19	\$31,308	\$40,876

Years Ending June 30,	Water Revenue Note		Total Water Fund Debt	
	Principal	Interest	Principal	Interest
2014	\$ 23,874	\$ 7,684	\$ 354,222	\$ 361,479
2015	25,033	6,525	366,194	356,493
2016	26,248	5,309	379,946	353,243
2017	27,522	4,035	390,172	342,994
2018	28,777	2,781	400,625	332,451
2019-2023	41,514	4,278	1,516,298	1,473,885
2024-2028	-	-	1,298,381	1,271,258
2029-2033	-	-	1,527,467	1,042,173
2034-2038	-	-	1,712,272	758,224
2039-2043	-	-	1,852,334	406,447
2044-2048	-	-	906,779	87,674
2049-2053	-	-	48,637	406
Totals	\$172,968	\$ 30,612	\$10,753,327	\$ 6,786,727

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS
Page 10

June 30, 2013

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

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
2014	\$ 33,408	\$ 5,076	\$ 157,335	\$ -	\$ 39,342	\$ -	\$ 1,331	\$ 19	\$ 18,842	\$ 68,518
2015	34,150	4,360	-	-	39,342	-	-	-	19,683	67,677
2016	34,893	3,628	-	-	39,342	-	-	-	20,562	66,798
2017	35,635	2,880	-	-	39,342	-	-	-	21,480	65,880
2018	36,378	2,117	-	-	39,342	-	-	-	22,439	64,921
2019-2023	81,664	1,948	-	-	196,710	-	-	-	128,142	308,658
2024-2028	-	-	-	-	98,358	-	-	-	159,412	277,388
2029-2033	-	-	-	-	-	-	-	-	198,312	238,488
2034-2038	-	-	-	-	-	-	-	-	246,705	190,095
2039-2043	-	-	-	-	-	-	-	-	306,908	129,892
2044-2048	-	-	-	-	-	-	-	-	381,801	54,999
2049-2053	-	-	-	-	-	-	-	-	50,292	854
Totals	\$256,128	\$ 20,009	\$ 157,335	\$ -	\$491,778	\$ -	\$ 1,331	\$ 19	\$1,574,578	\$1,534,168

Years Ending June 30,	General Obligation Bond		General Obligation Bond		Total Wastewater Fund Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 201,150	\$ -	\$ 4,658	\$ -	\$ 456,066	\$ 73,613
2015	201,150	-	4,658	-	298,983	72,037
2016	201,150	-	4,658	-	300,605	70,426
2017	201,150	-	4,658	-	302,265	68,760
2018	201,150	-	4,658	-	303,967	67,038
2019-2023	1,005,750	-	23,290	-	1,435,556	310,606
2024-2028	1,005,750	-	23,290	-	1,286,810	277,388
2029-2033	400,797	-	13,984	-	613,093	238,488
2034-2038	-	-	-	-	246,705	190,095
2039-2043	-	-	-	-	306,908	129,892
2044-2048	-	-	-	-	381,801	54,999
2049-2053	-	-	-	-	50,292	854
Totals	\$3,418,047	\$ -	\$83,854	\$ -	\$5,983,051	\$1,554,196

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, 2013:

	INSTALLMENT NOTES			GENERAL OBLIGATION & REVENUE BONDS		
	Governmental Notes	Water Fund Note	Wastewater Fund Note	Water Bond	Wastewater Bond	TOTAL
Bonds/loans payable at July 01, 2012	\$ 265,295	\$ 3,900	\$ 3,900	\$11,062,268	\$6,570,294	\$17,905,657
Issuances	92,302	-0-	-0-	31,308	21,865	145,475
Retirements	(68,326)	(2,569)	(2,569)	(341,580)	(610,439)	(1,025,483)
Bonds/loans payable at June 30, 2013	\$ 289,271	\$ 1,331	\$ 1,331	\$10,751,996	\$5,981,720	\$17,025,649

June 30, 2013

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

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, 2013:

	<u>Compensated Absences</u>	
	<u>Governmental Fund Types</u>	<u>Propriety Fund Types</u>
Payable at July 01, 2012	\$190,517	\$129,686
Additions	100,836	54,143
Reductions	<u>(71,772)</u>	<u>(57,602)</u>
Payable at June 30, 2013	<u>\$219,581</u>	<u>\$126,227</u>

Details of Long-Term Indebtedness

Governmental Fund:

Bonds Payable:

\$165,000 general obligation bond issued May 31, 2012, to Carl and Janet Gilliam with interest of 7.21%. Monthly installments of combined interest and principal payments of \$1,300 commencing July 1, 2012, and continuing monthly thereafter for a period of nineteen years and 9 months. Final payment of principal and interest is due on March 1, 2032. \$ 160,504

Notes Payable:

\$105,000 governmental fund note payable issued November 28, 2012, to Rural Development with interest of 3.5% for the acquisition of police vehicles. Monthly payments combined principal and interest of \$1,911 commencing December 28, 2012, and continuing monthly thereafter for a period of five years. 80,034

\$71,000 governmental fund note payable issued May 1, 2012, to PVNB with interest of 3.25% for the acquisition of a dump truck. Annual payments of \$25,243 commencing May 1, 2013, and continuing annually thereafter for a period of three years. 48,064

\$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. 292

\$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. 377

TOTAL GOVERNMENTAL FUND LONG-TERM DEBT \$ 289,271

TOWN OF BIG STONE GAP
 NOTES TO FINANCIAL STATEMENTS
 Page 12

June 30, 2013

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.	\$ 577	\$ 577
\$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.	754	754
General Obligation Bonds:		
\$1,556,000 general obligation refunding bond issued September 30, 2011, to Suntrust Bank, with interest at 2.12%, interest payable on each January 15 and July 15 commencing January 15, 2012. Commencing on July 15, 2012 and on each July 15 thereafter principal payments shall be made in installments. Final payment of principal and interest is due July 15, 2012.	1,123,873	256,128
\$93,191 general obligation sewer bond issued December 22, 2011 to Virginia Water Facilities Revolving Fund, with interest at 0%. Principal payments of \$2,329 payable November 1, 2012 and semi-annually thereafter for a period of 20 years.	-0-	83,854
\$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.	777,551	-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.	2,813,238	-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-	3,418,047
\$363,937 general obligation and water revenue bond issued June 20, 2013, to VRA, with interest at 3.0%. Semi-annual payments of principal and interest on Jan. 1 and July 1 beginning Jan 1, 2015, and thereafter payable in installments of combined interest and principal of \$9,389. Final payment is due January 1, 2044. Total issuances on the bond as of June 30, 2013 were \$31,308.	31,308	-0-

TOWN OF BIG STONE GAP
 NOTES TO FINANCIAL STATEMENTS
 Page 13

June 30, 2013

9. LONG-TERM DEBT (Continued)

Details of Long-Term Indebtedness

Enterprise Fund:

\$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- 1,574,578

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- 157,335

\$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.

3,615,209 -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.

857,906 -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- 491,778

\$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.

172,968 -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.

1,359,943 -0-

TOTAL ENTERPRISE FUNDS LONG-TERM DEBT

\$10,753,327 \$5,983,051

June 30, 2013

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 \$219,581 in the Governmental Activities, and \$126,227 in the Water and Wastewater Funds. The Town has outstanding accrued payroll taxes of \$16,798 in the Governmental Activities and \$9,656 in the Water and Wastewater Fund related to the accrued leave.

11. **FUND BALANCES—GOVERNMENTAL FUNDS**

As of June 30, 2013, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	\$ 7,597	\$ —	\$ 7,597
Due from internal funds	1,581,391	—	1,581,391
Restricted:			
Law Enforcement	211,726	—	211,726
Glencoe Cemetery	94,759	—	94,759
Community Development	34,715	79,505	114,220
Committed:			
General Administrative	700	—	700
Law Enforcement	34,850	—	34,850
Public Works-Streets	67,100	—	67,100
Parks and Recreation	206,600	—	206,600
Assigned:			
General Administrative	18,000	—	18,000
Law Enforcement	17,599	—	17,599
Fire Department	31,267	—	31,267
Cemetery	378	—	378
Parks and Recreation	2,180	—	2,180
Unassigned	170,111	—	170,111
Total fund balances	\$ 2,478,973	\$ 79,505	\$ 2,558,478

June 30, 2013

11. **FUND BALANCES—GOVERNMENTAL FUNDS(Continued)**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Town Council or the finance committee has provided otherwise in its commitment or assignment actions.

12. **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 (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees—Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who are vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2 average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for member electing the Survivor Option, PLOP or Advanced Pension Option or those retiring with a reduced benefit.

June 30, 2013

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

A. Plan Description (Continued)

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. 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.

The System issues a publicly available comprehensive annual report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publication/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. 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, 2013 was 13.71% of annual covered payroll.

C. Annual Pension Cost

For the fiscal year 2013, the Town of Big Stone Gap's annual pension cost of \$248,864 was equal to the Town's required and actual contributions.

PRIMARY GOVERNMENT:

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

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
June 30, 2013	\$248,864	100%	\$ -0-
June 30, 2012	240,927	100	-0-
June 30, 2011	239,185	100	-0-

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.5% (b) projected salary increases of 3.75% to 5.60% 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) 2.50% per year for Plan 1 employees and 2.25% for plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. 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 payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

June 30, 2013

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

D. Funded Status and Funding Progress

As of June 30, 2012 the most recent actuarial valuation date, the plan was 72.20% funded. The actuarial accrued liability for benefits was \$11,021,635, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,063,565. The covered payroll (annual payroll of active employees covered by the plan) was \$1,763,846, and ratio of the UAAL to the covered payroll was 173.69%.

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.

REQUIRED SUPPLEMENTARY INFORMATION

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

	(a)	(b)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Actuarial Accrued Liability (UAAL)			
June 30, 2012	\$7,958,070	\$11,021,635	\$ 3,063,565	72.20%	\$1,763,846	173.69%
June 30, 2011	8,162,610	10,448,025	2,285,415	78.13	1,828,205	125.01
June 30, 2010	8,151,894	9,862,454	1,710,560	82.66	1,999,595	85.55

13. **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, 2013, the Town's annual OPEB costs of \$66,726 for governmental activities and \$30,461 for business-type activities, respectively, were equal to the Annual Required Contribution (ARC).

	Governmental Activities	Business-type Activities	Total
Annual required contribution	\$ 66,790	\$ 30,490	\$ 97,280
Interest on net OPEB obligation	5,080	2,282	7,362
Adjustment to annual required contribution	(5,144)	(2,311)	(7,455)
Annual OPEB cost	\$ 66,726	\$ 30,461	\$ 97,187
Contributions made (Age Adjusted)	(30,282)	(13,605)	(43,887)
Increase in net OPEB obligation	36,444	16,856	53,300
Net OPEB obligation-beginning of year	\$ 101,973	45,266	\$147,239
Net OPEB obligation-end of year	\$ 138,417	\$ 62,122	\$200,539

June 30, 2013

13. **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, 2013	\$ 66,726	45.2%	\$ 138,417
June 30, 2012	\$ 75,852	59.8%	\$ 101,973
June 30, 2011	\$ 74,677	49.7%	\$ 71,135

The Town's annual OPEB cost for business-type 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, 2013	\$ 30,461	45.2%	\$ 62,122
June 30, 2012	\$ 34,079	59.8%	\$ 45,266
June 30, 2011	\$ 33,551	49.7%	\$ 31,898

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-	\$ 834,106	\$ 834,106	0.00%	\$1,289,106	64.7%
Business-type	\$ -0-	\$ 357,474	\$ 357,474	0.00%	\$ 552,474	64.7%

June 30, 2013

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

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, 2013 is 26 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 2013, the Town had not designated any funding for the OPEB liability.

June 30, 2013

14. **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 \$119,219 is comprised of the following:

Deferred Property Tax Revenue:

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$119,219 at June 30, 2013.

15. **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.

16. **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.

17. **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, Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund. At June 30, 2013, certain amounts which were restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Encumbrances included in governmental fund balances are as follows (in thousands):

	Encumbrances Included in:		
	Restricted Fund Balance	Committed Fund Balance	Assigned Fund Balance
General Fund for Capital Assets	\$ -	\$ -	\$ 18,000
General Fund for Other Purposes	-	-	51,424
Total Encumbrances	\$ -	\$ -	\$ 69,424

18. **PRIOR PERIOD ADJUSTMENT**

A prior period adjustment, in the amount of \$48,476 was made to the Water Fund and \$11,474 to the Sewer Fund to record the adoption of GASB Statement 65, "Items Previously Reported as Assets and Liabilities".

June 30, 2013

19. ***COMPLIANCE WITH BOND AGREEMENTS***

According to three separate water bond agreements between the Town of Big Stone Gap and Rural Development, the Town Treasurer is required to transfer amounts each month from the Revenue Fund to the Debt Reserve until there has been maintained specified amounts per the bond document for a fully funded annual reserve on each bond. Once the specified annual reserve has been accumulated no further deposits shall be required except to eliminate any deficiency in the Debt Reserve. As of June 30, 2013 the Town's required accumulated Debt Reserve for the three applicable water bonds was \$353,416; however, the Town's Debt Reserve balance was \$129,041. The Town was therefore not in compliance with its Debt Reserve requirements in the Water Fund as of June 30, 2013.

20. ***DEFICIT UNRESTRICTED NET POSITION***

The Water Fund has a deficit unrestricted net position of \$1,627,642 at June 30, 2013. However, when considering the net investment in capital assets, while excluding restricted debt service amounts, the Water Fund has a positive overall net position of \$5,633,194.

21. ***CHANGE IN ACCOUNTING POLICY***

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in the statement of financial position. This change was incorporated in the Town's financial statements; however, there was no effect on beginning net position.

The Town has decided to early implement Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities" which is effective for periods beginning after December 15, 2012. A prior period adjustment was made to account for the effects of this new standard.

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND REVENUES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2013

SCHEDULE 1
Page 1

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>PRIMARY GOVERNMENT</u>				
GENERAL FUND:				
Revenue from Local Sources:				
General Property Taxes:				
Real property taxes	\$ 747,850	\$ 747,850	\$ 771,517	\$ 23,667
Real and personal public service corporation property taxes	45,000	45,000	37,819	(7,181)
Personal property taxes	159,700	159,700	152,585	(7,115)
Machinery and tools taxes	300	300	209	(91)
Penalties and interest	18,300	18,300	29,688	11,388
Total General Property Taxes	<u>971,150</u>	<u>971,150</u>	<u>991,818</u>	<u>20,668</u>
Other Local Taxes:				
Local sales and use taxes	300,000	300,000	200,693	(99,307)
Cigarette taxes	36,000	36,000	33,135	(2,865)
Utility taxes	120,000	120,000	108,135	(11,865)
Business licenses taxes	262,600	262,600	262,667	67
Franchise license taxes	-	-	-	-
Communication taxes	205,000	205,000	212,801	7,801
Motor vehicle licenses	70,000	70,000	54,952	(15,048)
Bank stock taxes	100,000	100,000	98,302	(1,698)
Hotel and motel room taxes	15,000	15,000	10,695	(4,305)
Restaurant food taxes	520,000	520,000	524,473	4,473
Coal road improvement taxes	220,000	220,000	107,719	(112,281)
Total Other Local Taxes	<u>1,848,600</u>	<u>1,848,600</u>	<u>1,613,572</u>	<u>(235,028)</u>
Permits, Privilege Fees, And Regulatory Licenses	<u>4,300</u>	<u>4,300</u>	<u>3,078</u>	<u>(1,222)</u>
Fines and Forfeitures	<u>32,000</u>	<u>32,000</u>	<u>19,335</u>	<u>(12,665)</u>
Revenue From Use Of Money and Property:				
Revenue from use of money	6,500	6,500	2,448	(4,052)
Revenue from use of property	10,000	10,000	44,152	34,152
Total Revenue From Use of Money and Property	<u>16,500</u>	<u>16,500</u>	<u>46,600</u>	<u>30,100</u>
Charges For Services:				
Fire services	4,000	4,000	3,075	(925)
Security	-	-	3,137	3,137
Charges for sanitation and waste removal	300,000	300,000	294,306	(5,694)
Charges for parks and recreation	32,000	32,000	28,774	(3,226)
Cemetery plots and materials	35,000	35,000	30,361	(4,639)
Swimming pool donations	-	-	-	-
Police Restitution	92,504	92,504	89,500	(3,004)
Charges for maintenance of highways, bridges, and streets	-	-	-	-
Total Charges For Services	<u>463,504</u>	<u>463,504</u>	<u>449,153</u>	<u>(14,351)</u>
Miscellaneous Revenue	<u>28,000</u>	<u>28,000</u>	<u>113,552</u>	<u>85,552</u>
Recovered Costs	<u>120,000</u>	<u>120,000</u>	<u>121,525</u>	<u>1,525</u>
Total Revenue From Local Sources	<u>\$ 3,484,054</u>	<u>\$ 3,484,054</u>	<u>\$ 3,358,633</u>	<u>\$ (125,421)</u>

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, 2013

SCHEDULE 1
Page 2

	<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	1,000	1,000	1,032	32
Mobile home titling taxes	1,000	1,000	4,580	3,580
Rolling stock taxes	9,000	9,000	9,397	397
Coal haul road revenue	85,000	85,000	85,000	-
Assistance to localities with police departments	138,000	138,000	141,076	3,076
Total Non-Categorical Aid	<u>234,000</u>	<u>234,000</u>	<u>241,085</u>	<u>7,085</u>
Other Categorical Aid:				
Street and highway maintenance	670,000	670,000	937,618	267,618
Litter control	1,000	1,000	3,236	2,236
Financial assistance to the arts	5,000	5,000	5,000	-
Fire programs fund	34,000	34,000	20,825	(13,175)
VDOT (ISTEA)	435,000	435,000	12,800	(422,200)
VDOT(GREENBELT)	320,000	320,000	-	(320,000)
VDOT(SIGNAL PROJECTS)	346,500	346,500	-	(346,500)
Emergency Response grant	-	-	-	-
VDH SNAP	-	-	-	-
Law enforcement grant	-	2,188	-	(2,188)
Total Other Categorical Aid	<u>1,811,500</u>	<u>1,813,688</u>	<u>979,479</u>	<u>(834,209)</u>
Total Revenue From The Commonwealth	<u>2,045,500</u>	<u>2,047,688</u>	<u>1,220,564</u>	<u>(827,124)</u>
Revenue From The Federal Government:				
Payment In Lieu of Taxes:				
Payment in lieu of property taxes	48,500	48,500	45,071	(3,429)
Total Payment in Lieu of Taxes	<u>48,500</u>	<u>48,500</u>	<u>45,071</u>	<u>(3,429)</u>
Categorical Aid:				
Edward Byrne Memorial Formula Grant	-	-	28,641	28,641
HIDTA Grant	92,120	267,370	277,330	9,960
Community Development Block Grant	664,000	664,000	154,865	(509,135)
Rural Development Grant	-	-	25,000	25,000
Big Stone Gap DUI Grant	15,600	34,500	20,849	(13,651)
Total Categorical Aid	<u>771,720</u>	<u>965,870</u>	<u>506,685</u>	<u>(459,185)</u>
Total Revenue From The Federal Government	<u>820,220</u>	<u>1,014,370</u>	<u>551,756</u>	<u>(462,614)</u>
Prior Years Surplus	-	-	-	-
TOTAL GENERAL FUND	<u>6,349,774</u>	<u>6,546,112</u>	<u>5,130,953</u>	<u>(1,415,159)</u>
Community Development Fund:				
Revenue From Local Sources:				
Revenue from use of money	-	-	59	59
Total Revenue From Local Sources	<u>-</u>	<u>-</u>	<u>59</u>	<u>59</u>
Total Community Development Fund	<u>-</u>	<u>-</u>	<u>59</u>	<u>59</u>
Charges for services:				
Collection fees	-	-	1,596	1,596
Total Charges for Services	<u>-</u>	<u>-</u>	<u>1,596</u>	<u>1,596</u>
TOTAL SPECIAL REVENUE FUNDS	<u>-</u>	<u>-</u>	<u>1,655</u>	<u>1,655</u>
GRAND TOTALS - REVENUES - PRIMARY GOVERNMENT FUNDS	<u>\$ 6,349,774</u>	<u>\$ 6,546,112</u>	<u>\$ 5,132,608</u>	<u>\$(1,413,504)</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, 2013

SCHEDULE 2
Page 1

	<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	\$ 43,170	\$ 43,170	\$ 36,382	\$ 6,788
Mayor	4,090	4,090	3,852	238
Total Legislative	<u>47,260</u>	<u>47,260</u>	<u>40,234</u>	<u>7,026</u>
General and Financial Administration:				
Town Manager	129,970	129,970	127,479	2,491
Legal and consulting	42,500	42,500	57,155	(14,655)
Independent auditor	15,000	15,000	10,770	4,230
Treasurer/Clerk	237,740	237,740	194,364	43,376
Accounting	81,990	81,990	82,856	(866)
Risk management	136,300	136,300	145,402	(9,102)
Automotive/motor pool	134,790	134,790	127,323	7,467
Central purchasing	77,500	77,500	81,399	(3,899)
Data processing	61,840	61,840	61,422	418
Total General and Financial Administration	<u>917,630</u>	<u>917,630</u>	<u>888,170</u>	<u>29,460</u>
Total General Government Administration	<u>964,890</u>	<u>964,890</u>	<u>928,404</u>	<u>36,486</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	1,226,013	1,247,101	1,222,603	24,498
Drug task force	181,504	356,754	357,690	(936)
Total Law Enforcement and Traffic Control	<u>1,407,517</u>	<u>1,603,855</u>	<u>1,580,293</u>	<u>23,562</u>
Fire and Rescue Services:				
Volunteer fire department	142,150	142,150	196,203	(54,053)
Ambulance and rescue services	5,000	5,000	5,000	-
Total Fire and Rescue Services	<u>147,150</u>	<u>147,150</u>	<u>201,203</u>	<u>(54,053)</u>
Inspections:				
Building	16,105	16,105	15,510	595
Plumbing	-	-	-	-
Total Inspections	<u>16,105</u>	<u>16,105</u>	<u>15,510</u>	<u>595</u>
Total Public Safety	<u>1,570,772</u>	<u>1,767,110</u>	<u>1,797,006</u>	<u>(29,896)</u>
Public Works:				
Maintenance of Highways, Streets, Bridges and Sidewalks:				
Highways, streets, bridges, and sidewalks	950,850	950,850	712,348	238,502
Storm drainage	25,000	25,000	47,021	(22,021)
Street lights	76,000	76,000	85,814	(9,814)
Snow and ice removal	39,000	39,000	30,497	8,503
Curbs and guttering	25,000	25,000	53,108	(28,108)
Total Maintenance of Highways, Streets, Bridges, and Sidewalks	<u>1,115,850</u>	<u>1,115,850</u>	<u>928,788</u>	<u>187,062</u>

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2013

SCHEDULE 2
Page 2

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Sanitation and Waste Removal:				
Refuse collection	\$ 230,300	\$ 230,300	\$ 229,984	\$ 316
Litter control	-	-	-	-
Total Sanitation and Waste Removal	<u>230,300</u>	<u>230,300</u>	<u>229,984</u>	<u>316</u>
Maintenance of General Buildings and Grounds:				
General properties	133,685	133,685	135,912	(2,227)
Total Public Works	<u>1,479,835</u>	<u>1,479,835</u>	<u>1,294,684</u>	<u>185,151</u>
Health and Welfare:				
Area agency on aging	-	-	-	-
Property tax relief for elderly	30,000	30,000	34,398	(4,398)
Total Welfare/Social Services	<u>30,000</u>	<u>30,000</u>	<u>34,398</u>	<u>(4,398)</u>
Total Health and Welfare	<u>30,000</u>	<u>30,000</u>	<u>34,398</u>	<u>(4,398)</u>
Parks, Recreation and Cultural:				
Administration	448,330	448,330	369,939	78,391
Green Belt Trail	916,000	916,000	175,425	740,575
Maintenance	-	-	-	-
Swimming pool	38,940	38,940	41,605	(2,665)
Cemeteries	81,280	81,280	80,040	1,240
Team activities	-	-	-	-
Farmers Market	-	-	-	-
Big Cherry Lake	-	-	-	-
Total Parks and Recreation	<u>1,484,550</u>	<u>1,484,550</u>	<u>667,009</u>	<u>817,541</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	-	-	-	-
Miscellaneous	21,500	21,500	18,100	3,400
Total Cultural Enrichment	<u>39,500</u>	<u>39,500</u>	<u>36,100</u>	<u>3,400</u>
Library:				
Payments to regional library	2,500	2,500	2,500	-
Total Parks, Recreation and Cultural	<u>1,526,550</u>	<u>1,526,550</u>	<u>705,609</u>	<u>820,941</u>
Community Development:				
Planning	-	-	-	-
Telecommunications	-	-	-	-
Community development	714,000	714,000	155,970	558,030
Zoning board	-	-	-	-
Total Planning and Community Development	<u>714,000</u>	<u>714,000</u>	<u>155,970</u>	<u>558,030</u>
Total Community Development	<u>714,000</u>	<u>714,000</u>	<u>155,970</u>	<u>558,030</u>

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2013

SCHEDULE 2
Page 3

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Non-Departmental:				
Contingency	\$ -	\$ -	\$ -	\$ -
Christmas decorations	-	-	-	-
Total Non-Departmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Service:				
Principal retirement	\$ 73,727	\$ 73,727	\$ 68,326	\$ 5,401
Interest	-	-	16,125	(16,125)
Total Non-Departmental	<u>73,727</u>	<u>73,727</u>	<u>84,451</u>	<u>(10,724)</u>
TOTAL GENERAL FUND	<u>6,359,774</u>	<u>6,556,112</u>	<u>5,000,522</u>	<u>1,555,590</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>\$6,359,774</u>	<u>\$6,556,112</u>	<u>\$ 5,000,522</u>	<u>\$ 1,555,590</u>
 OTHER FINANCING RESOURCES (USES):				
Sale of property	-	-	-	-
Insurance recoveries	10,000	10,000	10,502	502
Loan proceeds	-	-	92,302	92,302
Transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>10,000</u>	<u>102,804</u>	<u>92,804</u>
Net Increase (Decrease) in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 234,890</u>	<u>\$ 234,890</u>

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF TREASURER'S ACCOUNTABILITY
June 30, 2013

SCHEDULE 3

ASSETS HELD BY THE TREASURER:

Cash on hand		<u>\$ 500</u>
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Cash in banks:

Checking:

Wells Fargo	427,788	
Branch Bank and Trust	17,400	
Powell Valley National Bank	<u>49,394</u>	
Total Checking		494,582

Savings:

Branch Bank and Trust	117,281	
Powell Valley National Bank	648,796	
Wells Fargo	<u>129,041</u>	
Total savings		895,118

Certificates of Deposit:

Branch Bank and Trust	245,516	
Powell Valley National Bank	1,566,092	
New Peoples Banks	<u>535,786</u>	
Total Certificates of Deposit		<u>2,347,394</u>

TOTAL CASH IN BANKS		<u><u>\$ 3,737,094</u></u>
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TOTAL CASH		<u><u>\$ 3,737,594</u></u>
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LIABILITIES OF THE TREASURER:

BALANCE OF TOWN FUNDS		<u><u>\$ 3,737,594</u></u>
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TOWN OF BIG STONE GAP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

A) SUMMARY OF AUDIT RESULTS

- 1) The auditor's report expresses an unmodified 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 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 unmodified 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 determined 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, 2013

	<u>Federal Catalogue Number</u>	<u>Expenditures</u>
DEPARTMENT OF AGRICULTURE:		
Direct Payments:		
RURAL DEVELOPMENT		
Waste & Water Disposal Systems	10.760	355,809
 ENVIRONMENTAL PROTECTION AGENCY		
ARRA-Capitalization Grants for Drinking Water -State Revolving Funds	66.468	89,040
 DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Preventive Health and Health Services Block Grant	93.991	25,829
 DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT:		
Community Development Grants	14.228	112,937
 DEPARTMENT OF JUSTICE		
High Intensity Drug Trafficking Areas Program	95.001	275,730 *
 DEPARTMENT OF TRANSPORTATION		
Alcohol Open Container Requirements-DUI Grant	20.607	<u>14,705</u>
TOTAL		<u>\$ 874,050</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.	53
REVENUE CAPACITY These schedules contain trend information to help the reader assess the Town's most significant local revenue source, the property tax.	58
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.	61
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.	64
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.	66

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

TABLE J

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	\$ 4,314,741	\$ 4,723,153	\$ 4,918,489
Restricted	-	-	-	-	-	-	-	200,446	454,022	420,705
Unrestricted	500,048	1,86,099	290,736	419,933	641,213	1,180,943	1,726,246	1,941,252	1,695,739	1,901,976
Total governmental activities net position	4,449,223	4,097,222	4,131,225	4,290,505	4,963,591	5,391,554	5,905,834	6,456,439	6,872,914	7,241,170
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	12,017,827	12,940,723	13,790,758
Restricted	-	-	-	-	-	-	-	-	-	519,418
Unrestricted	1,474,485	1,488,020	1,292,633	885,858	893,538	1,491,719	1,601,325	1,857,691	1,733,800	266,697
Total business-type activities	6,655,220	7,428,104	8,311,806	8,813,961	9,463,430	10,494,944	12,309,711	13,875,518	14,674,523	14,576,873
Primary government										
Net investment in capital assets	9,129,910	9,851,207	10,859,662	11,798,675	12,892,270	13,213,836	14,887,974	16,332,568	17,663,876	18,709,247
Restricted	-	-	-	-	-	-	-	200,446	454,022	940,123
Unrestricted	1,974,533	1,674,119	1,583,369	1,305,791	1,534,751	2,672,662	3,327,571	3,798,943	3,429,539	2,168,673
Total primary government net position	\$ 11,104,443	\$ 11,525,326	\$ 12,443,031	\$ 13,104,466	\$ 14,427,021	\$ 15,886,498	\$ 18,215,545	\$ 20,331,957	\$ 21,547,437	\$ 21,818,043

- 1) Trend data is only available for the last ten 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 position 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.

TABLE 2

TOWN OF BIG STONE GAP, VIRGINIA
CHANGES IN NET POSITION (UNAUDITED)
LAST TEN FISCAL YEARS

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities:										
General government	\$ 970,833	\$ 773,661	\$ 861,508	\$ 717,663	\$ 750,048	\$ 793,862	\$ 853,099	\$ 752,749	\$ 725,015	\$ 825,324
Public safety	1,144,266	1,303,450	1,278,834	1,371,247	1,680,063	1,788,780	1,794,103	1,711,243	1,608,733	1,770,301
Public works	1,098,933	1,223,855	1,137,172	1,195,888	1,195,768	1,057,026	1,156,339	1,087,526	1,156,507	1,321,308
Health and welfare	17,558	19,202	18,399	29,134	18,997	19,267	27,639	27,892	29,003	34,398
Parks, recreation and cultural	448,486	596,376	571,915	485,523	502,666	429,139	483,823	492,531	558,739	654,966
Community development	121,567	168,063	74,191	4,768	37,805	132,685	8,907	133,659	202,116	155,970
Interest on long-term debt	8,211	7,315	19,775	13,021	7,455	3,479	3,727	2,907	2,568	16,125
Non-departmental	20,462	25,829	3,762	19,745	15,264	4,469	331	100	-	-
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	4,208,607	4,282,681	4,778,392
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	2,599,843	2,816,255	2,910,990
Wastewater	1,007,646	977,551	1,031,861	1,023,874	1,173,133	1,197,494	1,422,626	1,561,332	1,531,330	1,555,631
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	4,161,175	4,347,585	4,466,621
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	\$ 8,369,782	\$ 8,630,266	\$ 9,245,013
Program Revenues										
Governmental Activities:										
Charges for services	\$ 32,831	\$ 11,853	\$ 6,261	\$ 98,895	\$ 86,494	\$ 90,531	\$ 74,333	\$ 26,966	\$ 135,528	\$ 95,712
Public safety	329,694	293,123	295,188	293,745	302,458	298,475	299,240	299,072	294,572	294,306
Parks, recreation and culture	75,267	49,559	49,115	47,326	65,745	82,602	68,182	68,536	74,812	59,135
Community development	-	-	-	-	-	-	-	-	-	1,596
Operating grants and contributions	201,016	821,414	883,801	862,762	1,098,713	1,205,841	1,127,046	1,345,211	1,106,199	1,532,375
Capital grants and contributions	26,665	96,992	66,048	87	97,714	31,500	25,167	5,000	69,422	248,357
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	1,744,785	1,680,533	2,231,481
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	2,578,259	2,523,599	2,493,380
Wastewater	1,135,176	1,308,352	1,222,785	1,251,343	1,226,704	1,266,356	1,384,341	1,485,525	1,424,508	1,412,109
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	763,601	2,241,987	974,638	445,790	731,453	1,931,772	1,645,042	1,186,401	515,555
Total business-type activities program revenues	2,845,554	3,688,661	4,958,095	3,845,801	4,124,109	4,588,441	5,764,172	5,708,826	5,134,508	4,421,044
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	\$ 7,453,611	\$ 6,815,041	\$ 6,652,525
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)	\$ (2,463,822)	\$ (2,602,148)	\$ (2,546,911)
Business-Type Activities:										
Total primary government net (expense)/revenue	\$ (2,887,546)	\$ (2,081,508)	\$ (1,808,155)	\$ (2,048,413)	\$ (1,929,536)	\$ (1,510,922)	\$ (947,552)	\$ (916,171)	\$ (1,815,225)	\$ (2,592,488)

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	\$ 723,390	\$ 747,879	\$ 846,093	\$ 845,746	\$ 841,344	\$ 846,783	\$ 990,112	\$ 996,365	\$ 985,082	\$ 996,372
Local sales & use tax	176,897	186,268	181,639	195,894	237,048	246,805	397,989	278,650	210,028	200,693
Utility tax	280,445	263,127	273,123	215,039	121,292	122,002	120,987	121,666	114,829	108,135
Business license tax	209,213	216,896	226,785	255,666	258,033	259,342	255,043	257,689	272,666	262,667
Franchise license tax	50,786	46,172	46,657	22,843	-	-	-	-	-	-
Communication tax	-	-	-	60,863	216,926	203,829	197,280	202,260	191,746	212,801
Motor vehicle license	68,541	74,370	70,076	70,196	67,853	65,787	61,221	59,702	56,253	54,952
Bank stock tax	56,045	71,325	70,845	73,317	70,978	81,943	94,393	102,233	91,752	98,302
Cigarette tax	42,440	45,848	53,095	33,875	39,969	33,155	35,155	34,500	31,840	33,135
Hotel and motel room tax	14,238	14,979	14,475	13,987	10,836	12,866	13,038	11,500	10,576	10,695
Restaurant food tax	342,501	373,837	436,421	440,781	469,331	487,128	497,286	515,271	536,202	524,473
Coal road improvement tax	152,835	183,415	214,272	193,686	191,614	237,445	160,221	198,370	223,155	107,719
Unrestricted intergovernmental revenue	638,447	65,255	63,052	63,443	69,912	86,329	62,828	31,672	56,117	60,080
Unrestricted investment earnings	6,738	5,670	6,209	10,898	5,407	4,595	7,805	5,988	4,407	2,507
Rental of Town property	3,017	7,762	10,370	10,026	13,768	11,564	8,596	8,240	10,049	44,152
Gain on sale of capital assets	-	31,238	-	-	-	-	-	-	-	-
Other	126,261	158,768	186,034	187,194	255,960	248,148	346,326	190,321	223,921	198,484
Total governmental activities	2,891,794	2,492,809	2,699,146	2,693,454	2,870,271	2,947,721	3,248,280	3,014,427	3,018,623	2,915,167
Business-Type Activities:										
Unrestricted investment earnings	13,660	9,582	26,714	16,394	22,363	22,678	28,119	18,156	12,082	7,877
Other	-	-	-	-	-	-	-	-	-	-
Total business-type activities	13,660	9,582	26,714	16,394	22,363	22,678	28,119	18,156	12,082	7,877
Total primary government	\$ 2,905,454	\$ 2,502,391	\$ 2,725,860	\$ 2,709,848	\$ 2,892,634	\$ 2,970,399	\$ 3,276,399	\$ 3,032,583	\$ 3,030,705	\$ 2,923,044
Change in Net Position										
Governmental Activities	\$ (273,049)	\$ (352,001)	\$ 34,003	\$ 159,280	\$ 313,629	\$ 427,963	\$ 514,280	\$ 550,605	\$ 416,475	\$ 368,256
Business-Type Activities	290,957	772,884	883,702	502,155	649,469	1,031,514	1,814,767	1,565,807	799,005	(37,700)
Total primary government	\$ 17,908	\$ 420,883	\$ 917,705	\$ 661,435	\$ 963,098	\$ 1,459,477	\$ 2,329,047	\$ 2,116,412	\$ 1,215,480	\$ 330,556

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

TABLE 3

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$ 373,062	\$ 234,325	\$ 358,188	\$ 493,491	\$ 658,449	\$ 1,162,322	\$ 1,768,980	\$ 14,423	\$ -	\$ -
Unreserved										
Nonspendable								\$ 486	\$ 3,794	\$ 7,597
Restricted								124,284	376,171	341,200
Committed								853,000	404,050	309,250
Assigned								219,516	214,338	69,424
Unassigned								999,672	1,247,385	1,751,502
Total general fund	\$ 373,062	\$ 234,325	\$ 358,188	\$ 493,491	\$ 658,449	\$ 1,210,330	\$ 1,783,403	\$ 2,196,958	\$ 2,245,738	\$ 2,478,973
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	-	-	-
Nonspendable								\$ -	\$ -	\$ -
Restricted								76,162	77,850	79,505
Committed								-	-	-
Assigned								-	-	-
Unassigned								-	-	-
Total all other governmental funds	\$ 58,121	\$ 61,291	\$ 64,283	\$ 66,905	\$ 69,665	\$ 72,213	\$ 74,325	\$ 76,162	\$ 77,850	\$ 79,505

1) Trend data is only available for the last TEN fiscal years due to implementation of GASB 34
 2) GASB 54 was implemented for the year ended June 30, 2011 which changes the method of reporting fund balance.
 3) Prior year amounts have not been restated for the implementation of Statement 54.

TABLE 4

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
General property taxes	\$ 723,390	\$ 761,126	\$ 838,581	\$ 831,352	\$ 842,666	\$ 818,375	\$ 992,148	\$ 985,417	\$ 975,224	\$ 991,818
Other local taxes	1,393,941	1,476,237	1,587,388	1,515,284	1,683,880	1,750,302	1,832,613	1,781,841	1,739,047	1,613,572
Permits and licenses	15,322	10,114	6,366	6,830	19,624	4,698	3,184	4,672	3,726	3,078
Fines and forfeitures	27,925	22,894	45,240	39,717	31,517	41,271	32,447	35,080	28,408	19,335
Investment earnings	15,782	13,432	16,579	20,924	19,175	16,159	16,401	14,228	14,456	46,659
Charges for services	394,545	354,535	350,564	439,966	474,697	471,608	441,755	394,574	504,912	450,749
Other revenues	348	2,262	5,134	12,170	12,480	9,889	147,254	15,289	70,322	113,552
recovered cost	115,214	114,200	114,100	113,680	128,105	124,865	126,919	128,075	122,675	121,525
Intergovernmental	866,128	983,661	1,012,901	987,155	1,246,339	1,323,670	1,215,041	1,381,883	1,231,738	1,772,320
Total revenues	3,552,595	3,738,461	3,976,853	3,967,078	4,458,483	4,560,837	4,807,762	4,741,059	4,690,508	5,132,608
Expenditures										
General government	916,735	709,666	719,051	661,192	767,943	740,792	794,343	832,597	850,119	928,404
Public safety	1,066,699	1,200,075	1,209,963	1,283,365	1,658,265	1,714,114	1,693,280	1,741,189	1,588,682	1,797,006
Public works	1,043,372	1,160,119	1,104,490	1,165,941	1,088,867	949,673	1,209,698	1,038,581	1,434,840	1,294,684
Health and welfare	17,558	19,202	18,399	29,134	18,697	19,267	27,639	27,892	29,003	34,398
Parks, recreation and culture	433,592	577,073	559,841	545,334	635,346	429,224	491,009	530,460	746,227	705,609
Community development	121,567	138,839	112,581	4,768	37,805	132,685	8,907	133,659	202,116	155,970
Non-Departmental	20,462	25,829	3,762	19,745	15,264	4,469	331	100	-	-
Debt service										
Principal	30,000	112,708	117,331	121,450	125,357	80,130	26,550	27,370	29,009	68,326
Interest	8,211	7,315	19,775	13,021	7,455	3,479	3,727	2,907	2,568	16,125
Total expenditures	3,658,196	3,950,826	3,865,193	3,843,950	4,354,999	4,073,833	4,255,484	4,334,755	4,882,564	5,000,522
Excess of revenues over (under) expenditures	(105,601)	(212,365)	111,660	123,128	103,484	487,004	552,278	406,304	(192,056)	132,086
Other Financing Sources (Uses)										
Proceeds from borrowing	-	-	-	-	-	-	-	-	236,000	92,302
Insurance Recoveries	4,672	9,298	15,195	14,797	64,234	67,425	22,907	9,088	6,524	10,502
Proceeds from sale of assets	-	67,500	-	-	-	-	-	-	-	-
Total other financing sources (uses)	4,672	76,798	15,195	14,797	64,234	67,425	22,907	9,088	242,524	102,804
Net change in fund balance	\$ (100,929)	\$ (135,567)	\$ 126,855	\$ 137,925	\$ 167,718	\$ 554,429	\$ 575,185	\$ 415,392	\$ 50,468	\$ 234,890
Debt service as a percentage of noncapital expenditures	1.06%	3.13%	3.68%	3.63%	3.15%	2.10%	0.72%	0.70%	0.65%	1.72%

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							Total Assessed Value	Total Direct Tax rate per \$100
	Real Estate	Personal Property	Machinery and Tools	Real Estate	Personal Property	Mobile Homes			
2013	\$176,690,845	\$ 15,583,595	\$ 149,575	\$ 6,766,360	\$ 100,680	\$ 872,150	\$ 200,163,205	\$ 0.496	
2012	176,093,320	25,913,899	167,110	8,193,105	60,590	938,860	211,366,884	0.461	
2011	174,834,870	25,961,831	141,030	10,179,955	60,570	803,270	211,981,526	0.465	
2010	173,298,221	25,419,146	147,540	9,506,935	61,100	766,300	209,199,242	0.474	
2009	142,455,414	27,402,120	137,290	7,689,292	48,315	839,890	178,572,321	0.458	
2008	140,791,413	27,097,226	118,670	8,310,736	105,154	711,290	177,134,489	0.476	
2007	139,581,582	36,603,741	107,720	7,979,530	104,991	688,590	185,066,154	0.449	
2006	138,217,270	26,394,076	85,215	9,931,068	122,021	637,007	175,386,657	0.478	
2005	142,453,825	22,198,809	192,000	10,439,789	147,059	724,322	176,155,804	0.432	
2004	136,464,849	23,055,798	237,711	11,435,267	254,203	801,608	172,249,436	0.420	

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							Overlapping Rates Wise County	
	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Real Estate	Personal Property	Real Estate	Personal Property	
2013	\$ 0.44	\$ 0.62	\$ 0.62	\$ 0.44	\$ 0.62	\$ 0.44	\$ 0.57	\$ 1.49	
2012	0.44	0.62	0.62	0.44	0.62	0.44	0.57	1.49	
2011	0.44	0.62	0.62	0.44	0.62	0.44	0.57	1.49	
2010	0.44	0.62	0.62	0.44	0.62	0.44	0.57	1.49	
2009	0.44	0.62	0.62	0.44	0.62	0.44	0.57	1.49	
2008	0.44	0.62	0.62	0.44	0.62	0.44	0.57	1.49	
2007	0.44	0.62	0.62	0.44	0.62	0.44	0.57	1.49	
2006	0.44	0.62	0.62	0.44	0.62	0.44	0.57	1.49	
2005	0.39	0.62	0.62	0.39	0.62	0.39	0.57	1.49	
2004	0.39	0.62	0.62	0.39	0.62	0.39	0.57	1.49	

1) Rates are presented per \$100 assessed value

**TOWN OF BIG STONE GAP, VIRGINIA
PRINCIPAL PROPERTY TAX PAYERS (UNAUDITED)
June 30, 2013 and June 30, 2006**

TABLE 7

June 30, 2013:

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Percent of Real Estate Levy</u>
One Center Corp	Shopping center	\$ 4,353,400	2.46%
Heritage Hall Holding	Nursing home and elderly care	3,054,800	1.73%
Bunch Family Limited Partners	Investment Company	2,834,400	1.61%
Lonesome Pine Hospital	Health care	2,325,000	1.32%
Heritage Hall Holding	Nursing home and elderly care	1,596,700	0.91%
Don Wax Estate	Estate	1,226,100	0.70%
Powell Valley National Bank	Banking operation	1,103,400	0.63%
Management Properties Inc.	Investment Company	950,600	0.54%
One Center Corp	Shopping center	935,300	0.53%
Don Wax Estate	Estate	834,600	0.47%

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
2011	\$ 900,373	\$ 837,029	92.96%	\$ 61,030	898,059	99.74%	\$ 201,535	22.38%
2012	969,143	842,447	86.93%	41,724	884,171	91.23%	197,230	20.35%
2011	972,863	844,009	86.76%	49,976	893,985	91.89%	174,180	17.90%
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%

(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 TEN 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			
2013	\$ 289,271	-	\$ 10,753,327	\$ 5,983,051	\$ 17,025,649	21.39%	\$ 3,051
2012	265,295	-	11,066,168	6,574,194	17,905,657	18.94%	3,173
2011	58,304	-	11,286,791	7,081,552	18,426,647	20.19%	3,282
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 ten years

TABLE 10

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

Fiscal Years Ended June 30	General Bonded Debt		Percentage of Actual Taxable Value of Property	Per Capita
	Outstanding General Obligation Bonds	Percentage of Actual Taxable Value of Property		
2013	\$ 10,370,509	5.18%	#####	
2012	10,762,717	5.09%	1,907.27	
2011	10,796,397	5.09%	1,923.12	
2010	11,079,045	5.30%	1,897.42	
2009	7,063,175	3.96%	1,206.56	
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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assessed valuations										
Assessed value of taxed real property	\$ 136,464,849	\$ 142,453,825	\$ 138,217,270	\$ 139,581,582	\$ 140,791,413	\$ 142,455,414	\$ 173,298,221	\$ 174,834,870	\$ 176,093,320	\$ 176,690,845
Legal debt margin										
Debt limit - 10 percent of total assessed value	13,646,485	14,245,383	13,821,727	13,958,158	14,079,141	14,245,541	17,329,822	17,483,487	17,609,332	17,669,085
Debt applicable to limitation:										
Total bonded debt	5,409,920	10,478,113	11,405,882	11,603,675	11,261,897	15,395,312	19,189,053	18,426,647	17,905,657	17,025,649
Less - water and wastewater revenue bonds	(5,409,920)	(10,478,113)	(11,369,478)	(11,584,913)	(11,261,897)	(8,332,137)	(8,110,008)	(7,630,250)	(7,142,940)	(6,655,140)
Total amount of debt applicable to debt limitation	-	-	36,404	18,762	-	7,063,175	11,079,045	10,796,397	10,762,717	10,370,509
Legal debt margin	\$ 13,646,485	\$ 14,245,383	\$ 13,785,323	\$ 13,939,396	\$ 14,079,141	\$ 7,182,366	\$ 6,250,777	\$ 6,687,090	\$ 6,846,615	\$ 7,298,576
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.26%	0.13%	0.00%	49.58%	63.93%	61.75%	61.12%	58.69%

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	
2013	\$ 2,493,380	\$ 1,943,576	\$ 549,804	\$ 344,147	\$ 344,590	\$ 688,737	0.80
2012	2,523,599	1,841,596	682,003	1,485,382	374,440	1,859,822	0.37
2011	2,558,553	1,665,123	893,430	294,930	415,768	710,698	1.26
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

Fiscal Years Ended June 30	Wastewater Revenue Bonds						
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2013	\$ 1,412,109	\$ 872,462	\$ 539,647	\$ 613,007	\$ 69,453	\$ 682,460	0.79
2012	1,424,508	848,351	576,157	868,556	75,513	944,069	0.61
2011	1,485,525	896,433	589,092	586,575	84,094	670,669	0.88
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

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.

TABLE 13

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

Fiscal Years Ended June 30	Population	Personal Income	Per Capita Median Income	Median Age	School Enrollment	Unemployment Rate
2013	5,580	\$ 79,593,120	\$ 14,264	36.0	1,859	5.50%
2012	5,643	94,542,822	16,754	39.4	1,887	7.70%
2011	5,614	91,249,956	16,254	40.2	1,758	7.35%
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, citymelt.com and city-date.com
 2) Data only available for last ten years

TABLE 14

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

June 30, 2013

<u>Employer</u>	<u>Product or Service</u>	<u>Total Estimated Employment*</u>
Wallens Ridge Correctional Center	Public Agency	250-499
Mountain Empire Community College	Public Agency	250-499
Mountain Empire Older Citizens	Public Agency	250-499
Town of Big Stone Gap	Public Agency	50-99

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: Virginia Employment Commission

TABLE 15

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

Function	2006	2007	2008	2009	2010	2011	2012	2013
General government								
Management services	1	1	1	1	1	1	1	1
Finance	2	2	2	2	2	2	2	3
Planning	0	0	0	0	0	0	0	0
Building	1	1	1	1	1	1	1	1
Other	6.5	7	8	8	6.5	7.5	5.5	4
Public safety								
Officers	16	17	18	18	16.5	16.5	16	15
Civilians	3	3	3	3	3	4	4	3
Public works								
Refuse collection	3	3	4	4	4	3	5	3
Streets	2	10	7	8	7	7	6	6
other	10	9	10	9	11	9	8.5	9
Parks and recreation								
Parks	6.5	5.5	6	5.5	5.5	6	7	2
Other	7.5	7.5	8	5.5	6	4	5	1
Water operations	5	6	7	7	7.5	7	8	5
Wastewater operations	4.5	4.5	4.5	4.5	4	3.5	4	3

1) Source: Town's finance department

TABLE 16

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

Function	2006	2007	2008	2009	2010	2011	2012	2013
Public safety								
Citations written	1,225	1,240	1,583	1,818	1,288	1,420	1,326	694
Water operations								
Number of service connections	3,925	3,911	3,922	3,941	3,947	3,930	3,841	3,861
Average daily consumption in gallons	852,000	762,000	762,000	884,034	786,236	799,009	734,759	894,172
Maximum daily capacity of plant in gallons	3,180,000	3,180,000	3,180,000	3,180,000	3,180,000	4,000,000	3,200,000	3,200,000
Wastewater operations								
Number of service connections	2,664	2,723	2,639	2,438	2,660	2,639	2,701	2,749
Average daily treatment in gallons	1,580,000	1,580,000	1,580,000	1,796,167	1,251,478	1,533,083	1,758,417	1,904,167
Maximum daily capacity of plant in gallons	2,000,000	2,000,000	2,000,000	2,000,000	4,000,000	4,000,000	4,000,000	4,000,000

TABLE 17

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

<u>Function</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Public safety								
Stations	1	1	1	1	1	1	1	1
Number of patrol units	10	10	10	10	10	11	10	10
Public works								
Streets (miles)	56	56	56	56	56	56	56	68
Streetlights	574	574	574	574	574	574	574	571
Traffic signals	7	7	7	7	7	7	7	7
Water operations								
Miles of water main	56	56	56	56	56	56	56	56
Number of fire hydrants	300	300	300	300	300	300	300	300
Wastewater operations								
Miles of sanitary sewers	12	12	12	12	12	12	12	12
Miles of storm sewers	8	8	8	8	8	8	8	8
Number of treatment plants	1	1	1	1	1	1	1	1
Number of pumping stations	6	6	6	6	6	6	6	6