

TOWN OF BIG STONE GAP, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2016

TOWN OF BIG STONE GAP, VIRGINIA
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June 30, 2016

TOWN COUNCIL:

Leonard Rogers, Mayor
Crystal Lyke, Vice-Mayor
Gary Johnson
Kent Gilley
Nancy Bailey
Philip Robbins
James A. Stone

TOWN OFFICERS:

Patrick Murphy, Town Manager
Steve Hamm, Chief of Police
Judy Hall, Town Clerk/Treasurer

TOWN LEGAL COUNSEL:

Charles Bledsoe, Attorney at Law



November 22, 2016

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, 2016.

Financial Highlights

- The assets of the Town exceeded its liabilities at the end of the fiscal year by \$22,040,749 (net position). Of this amount, \$21,513,680 can be used to meet the Town's ongoing obligations.
- At June 30, 2016, the Town reported combined ending fund balances of \$2,942,309, a decrease of \$95,117 in comparison with the prior year. Approximately 13.11 % of this total amount is available for spending at the Town Council's discretion. (unassigned fund balance).
- As of June 30, 2016, the General Fund had a total Fund Balance of \$ 2,942,309.
- The Town of Big Stone Gap's total debt decreased by \$402,305 during the fiscal year. The total debt outstanding as of June 30, 2016, was \$ 15,489,792.
- As of June 30, 2016, the Town's Legal Debt Margin was \$17,859,155.
- The Water/Sewer Proprietary Fund had an increase in Net Position for the year of \$57,967.

Overview of Financial Statements

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

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

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

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

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

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

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

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the Town of Big Stone Gap can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Government – Wide Financial Analysis
Summary of Statement of Net Position – June 30, 2016

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Current & other assets	\$ 3,770,416	\$ 1,619,251	\$ 5,389,667
Capital assets	\$ 7,147,412	\$ 28,850,758	\$35,998,170
Other noncurrent assets	\$ -0-	\$ -0-	\$ -0-
Deferred Outflows	\$ 245,304	\$ 128,733	\$ 374,037
Total Assets	\$11,163,132	\$ 30,598,742	\$ 41,761,874
Current & other liabilities	\$ 907,872	\$ 564,816	\$ 1,472,688
Long-term liabilities	\$ 2,331,892	\$ 15,754,847	\$ 18,086,739
Deferred Inflows	\$ 108,338	\$ 53,360	\$ 161,698
Total Liabilities	\$ 3,348,102	\$ 16,373,023	\$ 19,721,125

Net Position:

Invested in Capital assets (Net of related debt)	\$ 6,561,745	\$ 13,946,633	\$ 20,508,378
Restricted	\$ 426,648	\$ 578,654	\$ 1,005,302
Unrestricted	\$ 826,637	\$(299,568)	\$ 527,069
Total Net Position	\$ 7,815,030	\$ 14,225,719	\$ 22,040,749

Net position serves as a useful indicator of a government's financial position. The Town's combined net position totals \$22,040,749. 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 \$20,508,378. 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 \$1,544,363 non-spendable, \$439,545 restricted, \$317,740 committed, \$254,901 assigned, and \$385,760 is unassigned and is not available to meet the Town's ongoing obligations to citizens and creditors.

Governmental Activities – Governmental activities increased the Town's net position by \$748,480. Key elements of this increase are as follows:

Governmental Activities
Year Ended June 30, 2016

Revenues:

Program Revenues:	
Charges for Services	\$ 420,051
Operating Grants and Contributions	\$1,235,119
Capital Grants and Contributions	\$ 273,383

General Revenues:

Property Taxes	\$ 1,019,919
Other Local Taxes	\$ 1,606,722
Unrestricted Intergovernmental Revenue	\$ 53,329
Unrestricted Investment Earnings	\$ 2,884
Other	<u>\$ 438,405</u>
Total Revenues	\$ 5,049,812

Expenses:

General Government	\$ 1,012,786
Public Safety	\$ 1,389,878
Public Works	\$ 1,201,774
Health and Welfare	\$ 33,439
Parks, Recreation, Culture	\$ 621,698
Community Development	\$ 23,460
Interest on Long Term Debt	\$ 18,297
Non-departmental	<u>\$ -0-</u>
Total Expenses	\$ 4,301,332
Increase (Decrease) in Net Position	\$ 748,480

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>2016</u>	<u>2015</u>
General Property Taxes	\$ 1,007,579	\$ 991,206
Other Local Taxes	\$ 1,606,722	\$ 1,532,062
Permits, Privilege Fees and Regulatory Licenses	\$ 2,910	\$ 3,814
Fines and Forfeitures	\$ 16,341	\$ 30,032
Revenue From Use of Money and Property	\$ 38,571	\$ 15,946
Charges for Services	\$ 420,051	\$ 426,077
Miscellaneous	\$ 249,204	\$ 246,530
Recovered Costs	\$ 134,263	\$ 146,301
Inter-Governmental	\$ 1,561,831	\$ 1,333,234

The Town’s assessed value of real estate for the year was \$ 178,591,550. The real estate tax rate is \$.44 per \$ 100 of assessed value. For the year, the percent of levy collected was 92.69%

The Town’s business type activity is the Water/Sewer Proprietary Fund. During the year this fund had net income (change in net position) of \$57,967. Cash and cash equivalents increased by \$246,752 to \$2,828,257.

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	\$ 7,895,330	\$ 5,465,634	\$(2,429,696)
Total Expenses	<u>\$ 7,895,330</u>	<u>\$ 5,560,751</u>	<u>\$ 2,334,579</u>
Excess of Revenues Over Expenses	\$ -0-	\$ (95,117)	\$ (95,117)

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

THROWER, BLANTON & ASSOCIATES, P.C.
*Certified Public Accountants
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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, 2016, 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, 2016, 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 discussed in Note 20 to the financial statements, in fiscal year 2016, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* 73. Our opinions are 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 58, and the required pension and other post-employment benefit schedules on pages 59 through 61, 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.

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.

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 22, 2016 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.



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

Norton, Virginia
November 22, 2016

THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants

& Consultants

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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, 2016, 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 22, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements for the year ended June 30, 2016, 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 weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 22, 2016.

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 22, 2016

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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, 2016, and have issued our report thereon dated November 22, 2016.

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.
Certified Public Accountants

November 22, 2016

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2016

EXHIBIT I

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,359,306	\$ 1,356,067	\$ 2,715,373
Receivables:			
Taxes	175,698	-	175,698
Accounts	24,967	334,602	359,569
Other	59,519	-	59,519
Prepaid expenses	472	283	755
Due from other governmental units	103,839	-	103,839
Internal Balances	1,543,891	(1,543,891)	-
Restricted Assets:			
Cash	502,724	1,472,190	1,974,914
Capital assets, depreciable, net	4,433,341	27,864,634	32,297,975
Capital assets, non-depreciable	2,714,071	986,124	3,700,195
 Total Assets	 10,917,828	 30,470,009	 41,387,837
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension contributions subsequent to measurement date	245,304	128,733	374,037
Total Deferred Outflows of Resources	245,304	128,733	374,037
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 \$ 11,163,132	 \$ 30,598,742	 \$ 41,761,874
<u>LIABILITIES</u>			
Accounts payable	189,329	168,668	357,997
Accrued liabilities and wages	168,659	89,241	257,900
Payable From Restricted Assets:			
Deposits	-	128,600	128,600
Drug task force reserve	337,849	-	337,849
Matured revenue interest	1,412	20,714	22,126
Long-term liabilities			
Net pension liability	1,528,808	752,993	2,281,801
OPEB liability	217,417	97,729	315,146
Due within one year	135,938	692,090	828,028
Due in more than one year	449,729	14,212,035	14,661,764
Compensated absences			
Due within one year	75,491	50,412	125,903
Due in more than one year	135,132	107,181	242,313
 Total Liabilities	 3,239,764	 16,319,663	 19,559,427
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related deferred inflows	108,338	53,360	161,698
Total Deferred Inflows of Resources	108,338	53,360	161,698
<u>NET POSITION</u>			
Net investment in capital assets	6,561,745	13,946,633	20,508,378
Restricted	426,648	578,654	1,005,302
Unrestricted	826,637	(299,568)	527,069
 Total Net Position	 7,815,030	 14,225,719	 22,040,749
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	 \$ 11,163,132	 \$ 30,598,742	 \$ 41,761,874

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF ACTIVITIES
June 30, 2016

FUNCTIONS/PROGRAMS:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 1,012,786	\$ -	\$ -	\$ -	\$ (1,012,786)	\$ -	\$ (1,012,786)
Public safety	1,389,878	69,674	332,526	49,300	(938,378)	-	(938,378)
Public works	1,201,774	283,125	894,711	-	(23,938)	-	(23,938)
Health and welfare	33,439	-	-	-	(33,439)	-	(33,439)
Parks, recreation, and cultural	621,698	67,252	7,882	24,083	(522,481)	-	(522,481)
Community development	23,460	-	-	200,000	176,540	-	176,540
Interest on long-term debt	18,297	-	-	-	(18,297)	-	(18,297)
Non-departmental	-	-	-	-	-	-	-
Total Governmental Activities	<u>4,301,332</u>	<u>420,051</u>	<u>1,235,119</u>	<u>273,383</u>	<u>(2,372,779)</u>	<u>-</u>	<u>(2,372,779)</u>
Business-Type Activities:							
Water	2,434,693	2,506,629	-	40,864	-	112,800	112,800
Wastewater	<u>1,475,405</u>	<u>1,413,709</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(61,696)</u>	<u>(61,696)</u>
Total Business-Type Activities	<u>3,910,098</u>	<u>3,920,338</u>	<u>-</u>	<u>40,864</u>	<u>-</u>	<u>51,104</u>	<u>51,104</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 8,211,430</u>	<u>\$ 4,340,389</u>	<u>\$ 1,235,119</u>	<u>\$ 314,247</u>	<u>\$ (2,372,779)</u>	<u>\$ 51,104</u>	<u>\$ (2,321,675)</u>
General Revenues:							
Property taxes					1,019,919	-	1,019,919
Local sales & use tax					206,284	-	206,284
Utility tax					114,522	-	114,522
Business license tax					269,032	-	269,032
Communication taxes					185,028	-	185,028
Motor vehicle license					44,045	-	44,045
Bank stock tax					116,969	-	116,969
Cigarette tax					60,810	-	60,810
Hotel and motel room tax					6,293	-	6,293
Restaurant food tax					573,026	-	573,026
Coal road improvement tax					30,713	-	30,713
Unrestricted intergovernmental revenue					53,329	-	53,329
Unrestricted investment earnings					2,884	6,863	9,747
Rental of Town property					22,098	-	22,098
Gain on sale of capital assets					13,589	-	13,589
Recovered Costs					134,263	-	134,263
Other					268,455	-	268,455
Total general revenues and transfers					<u>3,121,259</u>	<u>6,863</u>	<u>3,128,122</u>
Change in net position					<u>748,480</u>	<u>57,967</u>	<u>806,447</u>
NET POSITION - JULY 1					<u>7,066,550</u>	<u>14,167,752</u>	<u>21,234,302</u>
NET POSITION - JUNE 30					<u>\$ 7,815,030</u>	<u>\$ 14,225,719</u>	<u>\$ 22,040,749</u>

The accompanying notes are an integral part of the financial statements

TOWN OF BIG STONE GAP, VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
Year Ended June 30, 2016

EXHIBIT 3

	General Fund	Total
ASSETS		
Cash and cash equivalents	\$ 1,359,306	\$ 1,359,306
Receivables:		
Taxes	175,698	175,698
Accounts	24,967	24,967
Other	59,519	59,519
Prepaid expenses	472	472
Due from other funds	1,543,891	1,543,891
Due from other governmental units	103,839	103,839
Restricted Assets:		
Cash	502,724	502,724
Total Assets	\$ 3,770,416	\$ 3,770,416
 LIABILITIES		
Accounts payable	\$ 189,329	\$ 189,329
Accrued payroll and related liabilities	152,546	152,546
Payable From Restricted Assets:		
Drug task force reserve	337,849	337,849
Due to other funds	-	-
Total Liabilities	679,724	679,724
 DEFERRED INFLOWS OF RESOURCES		
Deferred property taxes	148,383	148,383
Total Deferred Inflows of Resources	148,383	148,383
 FUND BALANCES:		
Nonspendable	1,544,363	1,544,363
Restricted	439,545	439,545
Committed	317,740	317,740
Assigned	254,901	254,901
Unassigned	385,760	385,760
Total Fund Balances	2,942,309	2,942,309
 Total Liabilities, Deferred Inflow of Resources, and Fund Balances	 \$ 3,770,416	 \$ 3,770,416

TOWN OF ABINGDON, VIRGINIA
 RECONCILIATION TO THE BALANCE SHEET OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
 Year Ended June 30, 2016

EXHIBIT 4

Total Fund Balances per Exhibit 3-Balance Sheet-Governmental Funds	\$ 2,942,309
 Amounts reported for governmental activities in the statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	7,147,412
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	148,383
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable, net of premiums and discounts	-
Notes payable	(585,667)
Accrued interest payable	(1,412)
Capital leases payable	-
Other post-employment benefits	(217,417)
Compensated Absences	(226,736)
Financial statement elements related to pensions are applicable to future periods, and therefore, are not reported in the funds.	
Deferred outflows of resources for 2016 employer contributions	245,304
Deferred inflows of resources for the net difference between projected and actual earnings on pension plan investments	(108,338)
Net pension liability	<u>(1,528,808)</u>
 Net Position of Governmental Activities	 <u>\$ 7,815,030</u>

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
Year Ended June 30, 2016

EXHIBIT 5

	<u>General</u>	<u>TOTAL</u>
		<u>June 30,</u> <u>2016</u>
REVENUES:		
General property taxes	\$ 1,007,579	\$ 1,007,579
Other local taxes	1,606,722	1,606,722
Permits, privilege fees and regulatory licenses	2,910	2,910
Fines and forfeitures	16,341	16,341
Revenue from use of money and property	24,982	24,982
Charges for services	420,051	420,051
Miscellaneous	249,204	249,204
Recovered costs	134,263	134,263
Intergovernmental	<u>1,561,831</u>	<u>1,561,831</u>
Total Revenues	<u>5,023,883</u>	<u>5,023,883</u>
EXPENDITURES:		
Current:		
General government administration	941,923	941,923
Public safety	1,631,750	1,631,750
Public works	1,543,339	1,543,339
Health and welfare	33,439	33,439
Parks, recreation and cultural	1,281,042	1,281,042
Community development	23,460	23,460
Non-departmental	-	-
Debt Service:		
Principle retirement	87,500	87,500
Interest	<u>18,297</u>	<u>18,297</u>
Total Expenditures	<u>5,560,750</u>	<u>5,560,750</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(536,867)</u>	<u>(536,867)</u>
OTHER FINANCING SOURCES (USES):		
Sale of property	13,589	13,589
Insurance recoveries	62,461	62,461
Loan proceeds	365,700	365,700
Transfers in (out)	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>441,750</u>	<u>441,750</u>
 Net Change in Fund Balance	 (95,117)	 (95,117)
FUND BALANCE AT JULY 1	<u>3,037,426</u>	<u>3,037,426</u>
FUND BALANCE AT JUNE 30	<u>\$ 2,942,309</u>	<u>\$ 2,942,309</u>

TOWN OF BIG STONE GAP, VIRGINIA
RECONCILIATION OF THE REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

EXHIBIT 6

	General Fund
Net Change in Fund Balance Governmental Fund:	\$ (95,117)
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.	
Capital Outlay	1,315,584
Depreciation expense	<u>(312,225)</u>
	<u>1,003,359</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	11,690
The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Principal repayments:	
General obligation debt and notes	87,500
Capital lease	-
Proceeds from debt	(365,700)
Proceeds from capital lease	-
	<u>(278,200)</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest	(1,276)
Compensated absences	27,915
Other post-employment benefits	<u>(29,989)</u>
	<u>(3,350)</u>
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense	
Employer pension contributions	245,304
Pension expense	<u>(135,206)</u>
	<u>110,098</u>
Change in Net Position of Governmental Activities	<u>\$ 748,480</u>

TOWN OF BIG STONE GAP, VIRGINIA
BALANCE SHEET
PROPRIETARY FUNDS
June 30, 2016

EXHIBIT 7

	Water Fund 2016	Sewer Fund 2016	TOTAL June 30, 2016
<u>ASSETS</u>			
Cash and cash equivalents	\$ 272,953	\$ 1,083,114	\$ 1,356,067
Receivables (Net of Allowance for Uncollectibles):			
Accounts	218,795	115,807	334,602
Accrued interest	-	-	-
Due from other funds	-	1,581,435	1,581,435
Due from other governmental units	-	-	-
Prepaid expenses	181	102	283
Restricted Assets:			
Cash	1,061,617	410,573	1,472,190
Land	810,000	70,000	880,000
Capital assets, net	17,142,533	10,828,225	27,970,758
Total Assets	19,506,079	14,089,256	33,595,335
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension contributions subsequent to measurement date	88,927	39,806	128,733
Total Deferred Outflows of Resources	88,927	39,806	128,733
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 19,595,006	\$ 14,129,062	\$ 33,724,068
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 143,066	\$ 25,602	\$ 168,668
Accrued wages and liabilities	55,426	33,815	89,241
Payable From Restricted Assets:			
Customer deposits	128,600	-	128,600
Due to other funds	2,831,475	293,851	3,125,326
Accrued interest payable	17,044	3,670	20,714
Bonds and notes payable	389,936	302,154	692,090
Compensated absences	34,870	15,542	50,412
Total Current Liabilities	3,600,417	674,634	4,275,051
Noncurrent liabilities:			
Bonds and notes payable	9,586,533	4,625,502	14,212,035
OPEB liability	67,035	30,694	97,729
Compensated absences	76,268	30,913	107,181
Net pension liability	512,035	240,958	752,993
Total Noncurrent Liabilities	10,241,871	4,928,067	15,169,938
Total Liabilities	13,842,288	5,602,701	19,444,989
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Net difference between projected and actual investment earnings on pension plan investments	36,284	17,076	53,360
Total Deferred Inflows of Resources	36,284	17,076	53,360
<u>NET POSITION</u>			
Net investment in capital assets	7,976,064	5,970,569	13,946,633
Restricted-Debt Service	168,081	410,573	578,654
Unrestricted	(2,427,711)	2,128,143	(299,568)
Total Net Position	5,716,434	8,509,285	14,225,719
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 19,595,006	\$ 14,129,062	\$ 33,724,068

The accompanying notes are an integral part of the financial statements

TOWN OF BIG STONE GAP, VIRGINIA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2016

EXHIBIT 8

	<u>Water Fund</u> <u>June 30,</u> <u>2016</u>	<u>Sewer Fund</u> <u>June 30,</u> <u>2016</u>	<u>TOTAL</u> <u>June 30,</u> <u>2016</u>
OPERATING REVENUES:			
Water rents	\$ 2,487,367	\$ -	\$ 2,487,367
Sewer rents	-	1,410,449	1,410,449
Sale of labor and materials	8,295	-	8,295
Water and sewer tap fees	9,460	3,260	12,720
Miscellaneous	<u>1,507</u>	<u>-</u>	<u>1,507</u>
 Total Operating Revenues	 <u>2,506,629</u>	 <u>1,413,709</u>	 <u>3,920,338</u>
 OPERATING EXPENSES:			
Personal services	661,431	335,265	996,696
Fringe benefits	244,293	140,582	384,875
Contractual services	82,553	92,662	175,215
Other charges	469,640	224,236	693,876
Depreciation	<u>625,350</u>	<u>612,582</u>	<u>1,237,932</u>
 Total Operating Expenses	 <u>2,083,267</u>	 <u>1,405,327</u>	 <u>3,488,594</u>
 Operating Income (Loss)	 <u>423,362</u>	 <u>8,382</u>	 <u>431,744</u>
 NON-OPERATING REVENUES (EXPENSES) :			
Grant revenue	19,893	-	19,893
Interconnect revenue	20,971	-	20,971
Interest income	3,799	3,064	6,863
Interest expense	<u>(351,426)</u>	<u>(70,078)</u>	<u>(421,504)</u>
 Total Non-Operating Revenue (Expenses)	 <u>(306,763)</u>	 <u>(67,014)</u>	 <u>(373,777)</u>
 CHANGE IN NET POSITION	 <u>116,599</u>	 <u>(58,632)</u>	 <u>57,967</u>
 NET POSITION AT JULY 1	 <u>5,599,835</u>	 <u>8,567,917</u>	 <u>14,167,752</u>
 NET POSITION AT JUNE 30	 <u>\$ 5,716,434</u>	 <u>\$ 8,509,285</u>	 <u>\$ 14,225,719</u>

TOWN OF BIG STONE GAP, VIRGINIA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 Year Ended June 30, 2016

EXHIBIT 9

	Water Fund	Sewer Fund	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 2,536,343	\$ 1,408,790	\$ 3,945,133
Cash payments to suppliers for goods and services	(558,359)	(337,565)	(895,924)
Cash payments to employees for services	(920,688)	(454,434)	(1,375,122)
Other operating income	19,262	3,260	22,522
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,076,558	620,051	1,696,609
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Increase (decrease) in customer deposits	6,300	-	6,300
(Increase) decrease in due from other funds/governments	-	-	-
Increase (decrease) in due to other funds	-	-	-
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	6,300	-	6,300
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
(Increase) decrease in capital assets	(348,560)	(93,535)	(442,095)
(Increase) decrease in construction in progress	42,189	-	42,189
Principle paid on revenue bond maturities and equipment contracts	(379,987)	(300,518)	(680,505)
Principle advances from bond and note proceeds	-	-	-
Contributed capital and Grant revenue	40,864	-	40,864
Interest paid on revenue bonds and equipment contracts	(353,048)	(70,425)	(423,473)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(998,542)	(464,478)	(1,463,020)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	3,799	3,064	6,863
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,799	3,064	6,863
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	88,115	158,637	246,752
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,246,455	1,335,050	2,581,505
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,334,570	\$ 1,493,687	\$ 2,828,257
Displayed as:			
Cash and Cash Equivalents-Unrestricted	\$ 272,953	\$ 1,083,114	\$ 1,356,067
Restricted Cash	1,061,617	410,573	1,472,190
	\$ 1,334,570	\$ 1,493,687	\$ 2,828,257
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 423,362	\$ 8,382	\$ 431,744
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	625,350	612,582	1,237,932
Provision for compensated absences	914	12,972	13,886
Pension expense net of employer contributions	(36,877)	(17,353)	(54,230)
Change in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:			
(Increase) decrease in accounts receivable	48,976	(1,659)	47,317
(Increase) decrease in prepaid expenses	13,187	6,559	19,746
Increase (decrease) in accounts payable	(19,353)	(27,226)	(46,579)
Increase (decrease) in wages payable	12,701	19,621	32,322
Increase (decrease) in OPEB liability	8,298	6,173	14,471
TOTAL ADJUSTMENTS	653,196	611,669	1,264,865
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,076,558	\$ 620,051	\$ 1,696,609

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

June 30, 2016

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).

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental* activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support.

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.

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. Accordingly, real and personal property taxes are recorded as revenues and receivable when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as unavailable revenues. All other revenue items are considered to be measurable and available only when cash is received by the government.

June 30, 2016

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 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.

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.

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.

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 Proprietary Funds. Therefore, the 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.

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Deposits and Investments

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. No investments existed as of June 30, 2016.

Interfund Receivables and Payables

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

Capital Assets

Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statement. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000, and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend lives is not capitalized.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current year.

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

Compensated Absences

The Town has a policy to allow the accumulation and vesting of limited amounts of paid leave and sick leave until termination or retirement. Amounts of such absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds when the amounts are due for payment.

Long-term Obligations

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

June 30, 2016

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position(Continued)

Long-term Obligations(Continued)

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the period incurred. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances

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.

Minimum Unassigned Fund Balance Policy

The Town does not maintain an unassigned fund balance policy.

Resource Flow Policy

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, 2016

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position(Continued)

Estimates

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

Restricted Assets

Included in restricted cash are amounts held in debt service reserve accounts in the amounts of \$168,081 for the Water Fund and \$410,573 for the Sewer Fund.

Net Position

Net position is the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is divided into three components:

- Net investment in capital assets- consist of historical cost of capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, constructions or improvement of those assets.
- Restricted-consist of assets that are restricted by the Town's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on share revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted-all other net position is reported in this category

Pensions

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

Deferred Outflows/Inflows of Resources

The Town reports deferred outflows of resources and deferred inflows of resources on its statement of net position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense) until the applicable period. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until a future period.

Employer pension contributions made after the net pension liability measurement date of June 30, 2015 and prior to the reporting date of June 30, 2016, have been reported as deferred outflows of resources in the Statement of Net Position as of June 30, 2016. This will be applied to the net pension liability in the next fiscal year.

Differences between the projected and actual pension earnings as of the actuarial measurement date of June 30, 2015 have been reported as a deferred inflow of resources. This difference will be recognized in pension expense over a closed five-year period.

The Town additionally reports unavailable/unearned revenue from property taxes and other receivables not collected within 45 day of year-end and property taxes levied to fund future years. Unavailable/unearned revenue may also represent revenue that has been received, but the earnings process is not year complete. These amounts are deferred and recognized as an inflow of resources in the period they become available.

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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 \$275,788 at June 30, 2016, and is composed of the following:

General Fund:	
Allowance for uncollectible property taxes	\$ 101,647
Allowance for uncollectible garbage fees	<u>12,092</u>
Total General Fund	<u>\$ 113,739</u>
Water and Sewer Fund:	
Allowance for uncollectible water and sewer fee billings	<u>\$162,049</u>
Total Water and Sewer Fund	<u>\$162,049</u>

3. **DEPOSITS AND INVESTMENTS**

Deposits

All cash of the Town 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*, and covered by Federal Deposit Insurance Corporation (FDIC). Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Investment Policy:

In accordance with the Code of Virginia and other applicable laws, including regulations, the Town permits investments in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper, and certain notes, banker's acceptances, repurchase agreements, the State Treasurer's Local Government Investment Pool (LGIP), the Virginia Investment Pool (VML/VACO Pool) and State Non-Arbitrage Program (SNAP).

Credit Risk:

As required by state statute, the Town requires that commercial paper have a short-term debt rating of no less than "A-1" (or equivalent) from a nationally recognized statistical rating organization.

Concentration of Credit Risk:

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

Powell Valley National Bank	95%
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TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2016, all of the Town's investments are held in a bank's trust department in the Town's name.

Fair Value Measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Town has measured fair value of the investments below at the net asset value (NAV).

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

Deposits and investments:

Cash on hand	\$ 500
Deposits	2,270,442
Investments	<u>2,419,345</u>
	<u>\$4,690,287</u>

Statement of net position:

Cash and cash equivalents	\$3,124,404
Investments	-
Restricted cash and cash equivalents	<u>1,565,883</u>
	<u>\$4,690,287</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		\$ 52,687	
TICRC grant		13,130	
Car rental tax		508	
Communication tax		<u>30,223</u>	
Total Commonwealth of Virginia			\$ 96,548
Wise County:			
Coal severance taxes		\$ 5,827	
Court fines/transfer fees		525	
County fire funds		<u>939</u>	
Total Wise County			<u>7,291</u>
Total Due From Other Governmental Units			<u>\$103,839</u>

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

6. INTERFUND OBLIGATIONS

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Water Fund	\$1,250,040	-
Sewer Fund	293,851	-
Special Revenue Fund	-	-
Water Fund:		
General Fund	-	1,250,040
Sewer Fund	-	1,581,435
Sewer Fund:		
Water Fund	1,581,435	-
General Fund	-	293,851
Special Revenue Fund:		
General Fund	-	-
Totals	<u>\$3,125,326</u>	<u>\$3,125,326</u>

7. CAPITAL ASSETS

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

Governmental activities:	
General government	\$ 95,851
Public safety	100,592
Public works	44,329
Parks, recreation and cultural	71,453
Total depreciation expense – governmental activities	<u>\$ 312,225</u>
Business-type activities:	
Water and sewer	<u>\$ 1,237,932</u>
Total depreciation expense – business-type activity	<u>\$ 1,237,932</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	\$2,746,737	\$ 673,048	\$ -	\$3,419,785
Infrastructure	5,735,768	-	-	5,735,768
Equipment	<u>3,036,586</u>	<u>539,878</u>	<u>(269,599)</u>	<u>3,306,865</u>
Total Capital Assets, depreciable	<u>11,519,091</u>	<u>1,212,926</u>	<u>269,599</u>	<u>12,462,418</u>
Less accumulated depreciation for				
Buildings and improvements	\$1,634,535	\$ 98,580	\$ -	\$1,733,115
Infrastructure	3,846,393	68,138	-	3,914,531
Equipment	<u>2,505,523</u>	<u>145,507</u>	<u>(269,599)</u>	<u>2,381,431</u>
Total accumulated depreciation	<u>7,986,451</u>	<u>312,225</u>	<u>(269,599)</u>	<u>8,029,077</u>
Total Capital Assets, depreciable, net	<u>\$3,532,640</u>	<u>\$ 900,701</u>	<u>\$ -</u>	<u>\$4,433,341</u>

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

8. CHANGES IN CAPITAL ASSETS (Continued)

Business Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, depreciable				
Buildings	\$ 337,615	\$ -	\$ (-)	\$ 337,615
Improvements	47,440,881	348,560	(-)	47,789,441
Equipment	<u>1,403,182</u>	<u>93,536</u>	<u>(32,480)</u>	<u>1,464,238</u>
Total Capital Assets, depreciable	<u>49,181,678</u>	<u>442,096</u>	<u>(32,480)</u>	<u>49,591,294</u>
Less accumulated depreciation for				
Buildings	\$ 214,765	\$ 3,653	\$ (-)	\$ 218,418
Improvements	19,169,246	1,174,393	(-)	20,343,638
Equipment	<u>1,137,197</u>	<u>59,886</u>	<u>(32,480)</u>	<u>1,164,603</u>
Total accumulated depreciation	<u>20,521,208</u>	<u>1,237,932</u>	<u>(32,480)</u>	<u>21,726,660</u>
Total Capital Assets, depreciable, net	<u>\$28,660,470</u>	<u>\$ (795,835)</u>	<u>\$ (-)</u>	<u>\$ 27,864,634</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	\$2,487,135	\$ 65,000	\$ (-)	\$2,552,135
Construction in progress	<u>124,278</u>	<u>105,980</u>	<u>(68,322)</u>	<u>161,936</u>
Total Capital Assets, Non-depreciable	<u>\$2,611,413</u>	<u>\$ 170,980</u>	<u>\$ (68,322)</u>	<u>\$2,714,071</u>

Business Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable				
Land	\$ 880,000	\$ -	\$ -	\$ 880,000
Constructions in progress	<u>148,314</u>	<u>106,123</u>	<u>(148,313)</u>	<u>106,124</u>
Total Capital Assets, Non-depreciable	<u>\$1,028,314</u>	<u>\$ 106,123</u>	<u>\$ (148,313)</u>	<u>\$ 986,124</u>

9. LONG-TERM DEBT

The annual requirements to amortize governmental debt outstanding as of June 30, 2016, are as follows:

Year Ending June 30,	Governmental Activities	
	Notes	
	Principal	Interest
2017	\$ 135,938	\$ 22,030
2018	96,072	18,397
2019	72,875	15,573
2020	75,524	13,006
2021	58,232	9,537
2022-2026	72,913	37,063
2027-2031	61,528	17,037
2032-2036	<u>12,585</u>	<u>416</u>
Totals	\$ 585,667	\$ 133,059

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

9. LONG-TERM DEBT (Continued)

The annual requirements to amortize proprietary debt outstanding as of June 30, 2016, 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
2017	\$ 156,365	\$ 12,638	\$ 40,739	\$ 108,928	\$ 38,129	\$ -	29,906	-
2018	159,623	9,289	42,452	107,144	38,129	-	29,906	-
2019	162,880	5,870	44,236	105,284	38,129	-	29,906	-
2020	166,952	2,374	46,096	106,144	38,129	-	29,906	-
2021	28,504	302	48,034	103,346	38,129	-	149,530	-
2022-2026	-	-	272,211	443,292	190,645	-	149,530	-
2027-2031	-	-	334,446	435,401	190,645	-	149,530	-
2032-2036	-	-	410,907	361,901	171,583	-	119,620	-
2037-2041	-	-	504,852	271,595	-	-	-	-
2042-2046	-	-	620,274	160,639	-	-	-	-
2047-2051	-	-	336,370	17,038	-	-	-	-
Totals	\$ 674,324	\$ 30,473	\$ 2,700,617	\$ 2,220,712	\$ 743,518	\$ -	\$ 687,834	\$ -

Years Ending June 30.	Water Revenue Bond		Water Revenue Bond		General Obligation Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 65,027	\$ 149,053	\$ 24,169	\$ 56,111	\$ 8,175	\$ 10,503
2018	67,930	146,150	25,248	55,032	8,422	10,256
2019	70,962	143,118	26,375	53,905	8,676	10,001
2020	74,129	139,946	27,552	51,493	8,938	9,739
2021	77,437	136,636	28,782	51,493	9,209	9,436
2022-2026	442,233	599,603	164,369	219,694	50,390	42,993
2027-2031	550,148	492,985	204,480	159,560	57,992	77,899
2032-2036	655,155	408,875	254,379	100,542	58,480	25,514
2037-2041	684,399	253,821	316,453	84,930	78,763	14,623
2042-2046	748,911	35,116	221,650	15,003	53,203	2,826
2047-2051	-	-	-	-	-	-
Totals	\$ 3,436,331	\$ 2,505,303	\$ 1,293,457	\$ 847,763	\$ 342,248	\$ 213,790

Years Ending June 30.	Water Revenue Note		Total Water Fund Debt	
	Principal	Interest	Principal	Interest
2017	\$ 27,427	\$ 4,131	\$ 389,937	\$ 341,364
2018	28,777	2,780	400,517	327,651
2019	30,194	1,364	411,358	319,542
2020	11,743	134	403,445	309,830
2021	-	-	379,625	301,213
2022-2026	-	-	1,269,478	1,305,582
2027-2031	-	-	1,487,241	1,165,845
2032-2036	-	-	1,670,124	896,832
2037-2041	-	-	1,584,467	624,969
2042-2046	-	-	1,643,907	216,584
2047-2051	-	-	336,370	17,038
Totals	\$ 98,141	\$ 8,409	\$ 9,976,469	\$ 5,826,450

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

9. LONG-TERM DEBT (Continued)

Years Ending June 30,	General Obligation Refunding		Wastewater Revenue		General Obligation Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 35,635	\$ 2,880	\$ 39,342	\$ -	\$ 21,464	\$ 65,896
2018	36,378	2,117	39,342	-	22,422	64,938
2019	37,120	1,338	39,342	-	23,423	63,937
2020	38,048	541	39,342	-	24,468	62,892
2021	6,495	69	39,342	-	25,560	61,800
2022-2026	-	-	177,041	-	145,969	290,831
2027-2031	-	-	-	-	181,589	225,210
2032-2036	-	-	-	-	225,901	210,899
2037-2041	-	-	-	-	281,027	155,733
2042-2046	-	-	-	-	349,604	87,195
2047-2051	-	-	-	-	214,057	12,832
Totals	\$ 153,676	\$ 6,945	\$ 373,751	\$ -	\$ 1,515,484	\$ 1,302,163

Years Ending June 30,	General Obligation Refunding		General Obligation Bond		Total Wastewater Fund Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 201,062	\$ -	\$ 4,659	\$ -	\$ 302,162	\$ 68,776
2018	201,062	-	4,659	-	303,863	67,055
2019	201,062	-	4,659	-	305,606	65,275
2020	201,062	-	4,659	-	307,579	63,433
2021	201,062	-	4,659	-	277,118	61,869
2022-2026	1,005,310	-	23,295	-	1,351,615	290,831
2027-2031	804,243	-	23,292	-	1,009,124	225,210
2032-2036	-	-	-	-	225,901	210,899
2037-2041	-	-	-	-	281,027	155,733
2042-2046	-	-	-	-	349,604	87,195
2047-2051	-	-	-	-	214,057	12,832
Totals	\$ 2,814,863	\$ -	\$ 69,882	\$ -	\$ 4,927,656	\$ 1,309,108

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, 2016:

	INSTALLMENT NOTE	GENERAL OBLIGATION & REVENUE BONDS		
	Governmental Notes	Water Bond	Wastewater Bond	TOTAL
Bonds/loans payable at July 01, 2015	\$ 307,467	\$10,356,456	\$5,228,174	\$15,892,097
Issuances	365,700	-0-	-0-	365,700
Retirements	(87,500)	(379,987)	(300,518)	(768,005)
Bonds/loans payable at June 30, 2016	\$ 585,667	\$ 9,976,469	\$ 4,927,656	\$15,489,792

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2016:

	<u>Compensated Absences</u>	
	<u>Governmental</u> <u>Fund Types</u>	<u>Propriety</u> <u>Fund Types</u>
Payable at July 01, 2015	\$254,651	\$143,707
Additions	126,745	56,012
Reductions	<u>(170,773)</u>	<u>(42,126)</u>
Payable at June 30, 2016	<u>\$210,623</u>	<u>\$157,593</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. \$ 147,053

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. 26,152

\$48,500 governmental fund note payable issued July 7, 2014 to Rural Development with interest of 2.50% for the acquisition of police vehicles. Monthly payments combined principal and interest of \$2,166 commencing July 12, 2014, and continuing monthly thereafter for a period of two years. 16,680

\$75,000 governmental fund note payable issued June 18, 2016, to Powell Valley National Bank with interest of 2.50% for the acquisition of a police vehicles. Annual payments of \$2,166 commencing July 18, 2016, and continuing annually thereafter for a period of three years. 50,599

\$100,700 governmental fund note payable issued March 10, 2016 to Rural Development with interest of 3.625% for the acquisition of a garbage truck. Monthly payments combined principal and interest of \$1,838 commencing June 4, 2016, and continuing monthly thereafter for a period of four years. 84,394

\$65,000 governmental fund note payable issued September 28, 2015, to Powell Valley National Bank with interest of 3.05% for the construction of parking lots. Monthly payments of \$630 commencing October 28, 2015, and continuing monthly thereafter for a period of ten years. 60,789

TOWN OF BIG STONE GAP
 NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

Governmental Fund:

\$70,000 governmental fund note payable issued June 3, 2016, to Powell Valley National Bank with interest of 2.95% for the acquisition of a used fire truck. Annual payments of \$15,281.34 commencing June 3, 2017, and continuing annually thereafter for a period of four years.	\$ 70,000
\$130,000 governmental fund note payable issued June 27, 2016, to Powell Valley National Bank with interest of 2.95% for the acquisition of police vehicles. Monthly payments of \$2335.51 commencing July 27, 2016, and continuing monthly thereafter for a period of four years.	<u>130,000</u>
TOTAL GOVERNMENTAL FUND LONG-TERM DEBT	\$ <u>585,667</u>

Enterprise Fund:

General Obligation Bonds:

	<u>Water</u>	<u>Wastewater</u>
\$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, 2021.	\$ 674,324	\$ 153,676
\$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-	69,882
\$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.	687,834	-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.	2,700,617	-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-	2,814,863
\$363,937 general obligation and water revenue bond issued June 20, 2015, 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.	342,248	-0-

TOWN OF BIG STONE GAP
 NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

Enterprise Fund:

	<u>Water</u>	<u>Wastewater</u>
<p>\$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.</p>	\$ -0-	\$1,515,484
<p>Revenue Bonds:</p> <p>\$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.</p>	3,436,331	-0-
<p>\$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.</p>	743,518	-0-
<p>\$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.</p>	-0-	373,751
<p>\$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.</p>	98,141	-0-
<p>\$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.</p>	1,293,457	-0-
<p>TOTAL ENTERPRISE FUNDS LONG-TERM DEBT</p>	<p><u>\$ 9,976,469</u></p>	<p><u>\$4,927,656</u></p>

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

10. **FUND BALANCES—GOVERNMENTAL FUNDS**

As of June 30, 2016, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	\$ 472	\$ —	\$ 472
Due from internal funds	1,543,891	—	1,543,891
Restricted:			
Law Enforcement	337,849	—	337,849
Glencoe Cemetery	52,738	—	52,738
Community Development	48,958	—	48,958
Committed:			
General Administrative	-	—	-
Law Enforcement	89,350	—	89,350
Public Works	55,650	—	55,650
Parks and Recreation	172,740	—	172,740
Assigned:			
Law Enforcement	6,989	—	6,989
Fire Department	57,573	—	57,573
Public Works	96,430	—	96,430
Parks and Recreation	93,909	—	93,909
Unassigned	385,760	—	385,760
Total fund balances	\$ 2,942,309	\$ —	\$ 2,942,309

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.

June 30, 2016

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

PRIMARY GOVERNMENT

The Town has a policy to allow the accumulation and vesting of limited amounts of paid leave and sick leave until termination or retirement. Amounts of such absences are accrued when incurred in the government-wide and proprietary statements. A liability for these amounts is reported in the governmental funds when the amounts are due for payment.

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 \$210,623 in the Governmental Activities, and \$157,593 in the Water and Wastewater Funds.

12. **PENSION PLAN-AGENT MULTIPLE EMPLOYER**

Plan Description

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

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

June 30, 2016

12. Pension Plan-Agent Multiple-Employer (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced

TOWN OF BIG STONE GAP, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

12. Pension Plan-Agent Multiple-Employer (Continued)

<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>benefits for hazardous duty employees</p> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service Defined Benefit Component: Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>

June 30, 2016

12. Pension Plan-Agent Multiple-Employer (Continued)

		<p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. <u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. </p>

TOWN OF BIG STONE GAP, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

12. Pension Plan-Agent Multiple-Employer (Continued)

		Distribution is not required by law until age 70½.
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit Defined Benefit Component: See definition under Plan 1 Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p>	<p>Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2.</p>

TOWN OF BIG STONE GAP, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

12. Pension Plan-Agent Multiple-Employer (Continued)

<p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility Defined Benefit Component: VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p>Eligibility: For members who retire with an unreduced benefit or with a reduced</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p>Eligibility: Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2.</p> <p>Defined Contribution Component: Not applicable.</p> <p>Eligibility: Same as Plan 1 and Plan 2.</p>

TOWN OF BIG STONE GAP, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

12. Pension Plan-Agent Multiple-Employer (Continued)

<p>benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable</p>

TOWN OF BIG STONE GAP, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

12. Pension Plan-Agent Multiple-Employer (Continued)

<p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service Defined Benefit Component: Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost. <p>Defined Contribution Component: Not applicable.</p>

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TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

12. **PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)**

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>53</u>
Inactive members:	
Vested inactive members	4
Non-vested Inactive members	14
Inactive members active elsewhere in VRS	<u>27</u>
Total inactive members	45
Active members	<u>56</u>
Total covered employees	<u><u>154</u></u>

Contributions

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

The Town's contractually required contribution rate for the year ended June 30, 2016 was 13.67% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$ 374,037 and \$ 310,210 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

12. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town's retirement plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

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

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

12. *PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)*

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

Largest 10 – Non-LEOS:

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

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

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

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Town's retirement plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

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

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

Largest 10 – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

June 30, 2016

12. **PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)**

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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

Long-Term Expected Rate of Return

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

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

12. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

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

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

Discount Rate

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

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

12. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2015	\$ 11,573,779	\$ 9,625,411	\$ 1,948,368
Changes for the year:			
Service Cost	233,077	-	233,077
Interest	782,716	-	782,716
Differences between expected and actual experience	153,591	-	153,591
Contributions - employer	-	309,292	(309,292)
Contributions - employee	-	97,469	(97,469)
Net investment income	-	435,518	(435,518)
Benefit payments, including refunds of employee contributions	(784,241)	(784,241)	-
Administrative expenses	-	(6,239)	6,239
Other changes	-	(89)	89
Net changes	385,143	51,710	333,433
Balance at June 30, 2015	\$ 11,958,922	\$ 9,677,121	\$ 2,281,801

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Net Pension Liability	\$ 3,742,119	\$ 2,281,801	\$ 1,058,021

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

12. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

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

For the year ended June 30, 2016, the Town recognized pension expense of \$212,339. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (105,594)
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	267,292
Employer contributions subsequent to the measurement date	374,037	-
Total	<u>\$ 374,037</u>	<u>\$ 161,698</u>

\$374,037 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30

2017	\$ (56,089)
2018	(56,089)
2019	(94,484)
2020	44,964
2021	-
Thereafter	-
	<u>\$ (161,698)</u>

Payables to the Pension Plan

At June 30, 2016, the Town reported a payable of \$32,387 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2016, the Town's annual OPEB costs of \$81,175 for governmental activities and \$39,757 for business-type activities, respectively, were equal to the Annual Required Contribution (ARC).

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Annual required contribution	\$ 81,239	\$ 39,864	\$ 121,103
Interest on net OPEB obligation	9,118	4,416	13,534
Adjustment to annual required contribution	<u>(9,182)</u>	<u>(4,523)</u>	<u>(13,705)</u>
Annual OPEB cost	\$ 81,175	\$ 39,757	\$ 120,932
Contributions made (Age Adjusted)	<u>(51,186)</u>	<u>(25,286)</u>	<u>(76,472)</u>
Increase in net OPEB obligation	29,989	14,471	44,460
Net OPEB obligation-beginning of year	<u>\$ 187,428</u>	<u>83,258</u>	<u>\$270,686</u>
Net OPEB obligation-end of year	<u>\$ 217,417</u>	<u>\$ 97,729</u>	<u>\$315,146</u>

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.

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 81,175	63.2%	\$ 217,417
June 30, 2015	\$ 68,365	54.3%	\$ 187,428
June 30, 2014	\$ 66,703	74.4%	\$ 155,848

TOWN OF BIG STONE GAP
 NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

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, 2016	\$ 39,757	63.2%	\$ 97,729
June 30, 2015	\$ 30,518	54.3%	\$ 83,258
June 30, 2014	\$ 30,450	74.4%	\$ 69,518

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-	\$ 778,190	\$ 778,190	0.00%	\$1,282,620	60.6%
Business-type	\$ -0-	\$ 366,207	\$ 366,207	0.00%	\$ 603,586	60.6%
Total	\$ -0-	\$1,144,397	\$1,144,397			

June 30, 2016

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 2.0 and an investment rate of return of 5.0%. 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 RP2000 Mortality Tables for Males and Females Project 10 years 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, 2016 is 24 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 2016, the Town had not designated any funding for the OPEB liability.

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

14. DEFERRED PROPERTY TAX 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 \$148,383 is comprised of the following:

Deferred Property Tax Revenue:

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$148,383 at June 30, 2016.

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, 2016, 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	\$ -	\$ -	\$ 23,164
General Fund for Other Purposes	-	-	<u>168,921</u>
Total Encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,085</u>

18. 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, 2016, the Town's required accumulated Debt Reserve for the three applicable water bonds were \$445,984; however, the Town's Debt Reserve balance was \$168,081. The Town was therefore not in compliance with its Debt Reserve requirements in the Water Fund as of June 30, 2016. Additionally, the Town's required accumulated Debt Reserve for the one applicable sewer bond was \$473,550; however, the Town's Debt Reserve balance was \$410, 574. The Town as therefore not in compliance with its Debt Reserve requirements for the Sewer Fund as of June 30, 2016.

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

19. DEFICIT UNRESTRICTED NET POSITION

The Water Fund has a deficit unrestricted net position of \$2,427,711 at June 30, 2016. 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 \$5,716,434.

20. NEW ACCOUNTING PRONOUNCEMENTS

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

The Town implemented the provisions of GASB No. 72, *Fair Value Measurement and Application*. The statement generally requires investments to be measured at fair value. The Statement requires the Town to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure *fair value*. There was no material impact on the Town's financial statement as a result of the implementation of Statement No. 72. All required disclosures are located in Note 2, as applicable.

The Town implemented the provisions of GASB No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the Town's financial statement as a result of the implementation of Statement No. 79.

21. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 22, 2016, the date which the financial statements were available to be issued.

22. FUTURE ACCOUNTING PRONOUNCEMENTS

In June 2016, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Town has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The Town will adopt this Statement for fiscal year ending June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2018.

June 30, 2016

22. *FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)*

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments to disclose information about the nature and magnitude of tax abatements granted to a specific taxpayer, typically for the purpose of economic development. This does not cover programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This statement will be effective for the year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2017, except for certain provisions regarding assumptions for plans with a measurement date that differs from the employer's reporting date – those provisions are effective for the year ending June 30, 2018.

TOWN OF BIG STONE GAP, VIRGINIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2016

EXHIBIT 10

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
General property taxes	\$ 1,004,600	\$ 1,004,600	\$ 1,007,579	\$ 2,979
Other local taxes	1,546,800	1,546,800	1,606,722	59,922
Permits, privilege fees and regulatory licenses	3,200	3,200	2,910	(290)
Fines and forfeitures	25,150	25,150	16,341	(8,809)
Revenue from use of money and property	16,500	16,500	24,982	8,482
Charges for services	450,072	450,072	420,051	(30,021)
Miscellaneous	183,000	183,000	249,204	66,204
Recovered costs	122,000	122,000	134,263	12,263
Intergovernmental	2,800,960	3,304,983	1,561,831	(1,743,152)
Total Revenues	6,152,282	6,656,305	5,023,883	(1,632,422)
EXPENDITURES:				
General government administration	975,390	975,852	941,923	33,929
Public safety	1,492,748	2,223,011	1,631,750	591,261
Public works	1,669,000	2,438,773	1,543,339	895,434
Health and welfare	2,500	2,500	33,439	(30,939)
Parks, recreation and cultural	1,568,744	1,629,494	1,281,042	348,452
Community development	500,000	521,800	23,460	498,340
Non-departmental	-	-	-	-
Debt Service	103,900	103,900	105,797	(1,897)
Total Expenditures	6,312,282	7,895,330	5,560,750	2,334,580
OTHER FINANCING SOURCES (USES):				
Sale of property	10,000	10,000	13,589	3,589
Insurance recoveries	-	-	62,461	62,461
Loan proceeds	-	733,598	365,700	(367,898)
Transfers in (out)	150,000	150,000	-	(150,000)
Prior Year Suplus	-	345,427	-	(345,427)
Total Other Financing Sources (Uses)	160,000	1,239,025	441,750	(797,275)
Net Change in Fund Balance	\$ -	\$ -	\$ (95,117)	\$ (95,117)

TOWN OF BIG STONE GAP, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS- PENSION AND OTHER POST-EMPLOYMENT BENEFITS
June 30, 2016

PENSION						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as of Percentage of Covered Payroll
June 30, 2015	9,384,560	12,133,239	2,748,679	77.35%	1,846,434	148.86%
June 30, 2014	8,852,164	11,717,322	2,865,158	75.55%	1,905,130	150.39%
June 30, 2013	8,145,133	11,218,710	3,073,577	72.60%	1,765,899	174.05%
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%
June 30, 2009	8,335,239	8,942,112	606,873	93.21%	1,936,495	31.34%
June 30, 2008	8,469,322	8,265,814	(203,508)	102.46%	1,879,431	-10.83%
June 30, 2007	7,742,865	7,504,627	(238,238)	103.17%	1,800,884	-13.23%

OTHER POST-EMPLOYEMENT BENEFITS						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as of Percentage of Covered Payroll
June 30, 2016	-	1,144,397	1,144,397	0.00%	1,886,206	60.67%
June 30, 2013	-	1,191,580	1,191,580	0.00%	1,932,029	61.68%
June 30, 2010	-	999,921	999,921	0.00%	2,001,635	49.96%

TOWN OF BIG STONE GAP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
JUNE 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 233,077	\$ 216,422
Interest	782,716	763,442
Changes of benefit terms	-	-
Differences between expected and actual experience	153,591	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(784,241)	(624,795)
Net change in total pension liability	385,143	355,069
Total pension liability - beginning	11,573,779	11,218,710
Total pension liability - ending	<u>\$ 11,958,922</u>	<u>\$ 11,573,779</u>
Plan fiduciary net position		
Contributions - employer	\$ 309,292	\$ 259,446
Contributions - employee	97,469	96,016
Net investment income	435,518	1,335,250
Benefit payments, including refunds of employee contributions	(784,241)	(624,795)
Administrative expense	(6,239)	(7,355)
Other	(89)	71
Net change in total pension liability	51,710	1,058,633
Total pension liability - beginning	9,625,411	8,566,778
Total pension liability - ending	<u>\$ 9,677,121</u>	<u>\$ 9,625,411</u>
Political subdivision's net pension liability - ending	\$ 2,281,801	\$ 1,948,368
Plan fiduciary net position as a percentage of the total pension liability	80.92%	83.17%
Covered - employee payroll	\$ 1,846,434	\$ 1,932,503
Political subdivision's net pension liability as a percentage of covered-employee payroll	123.58%	100.82%

1) Fiscal year 2015 was the first year of GASB 68 implementation, therefore only two years are shown herein.

**TOWN OF BIG STONE GAP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
JUNE 30, 2016**

Date	Contractually Required Contribution	Contributions Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2016	\$ 374,037	\$ 374,037	\$ -	\$ 1,789,705	20.90%
2015	\$ 310,210	\$ 310,210	\$ -	\$ 1,846,434	16.80%
2014	\$ 259,244	\$ 259,244	\$ -	\$ 1,905,130	13.61%
2013	\$ 248,864	\$ 248,864	\$ -	\$ 1,765,899	14.09%
2012	\$ 240,927	\$ 240,927	\$ -	\$ 1,763,846	13.66%
2011	\$ 239,185	\$ 239,185	\$ -	\$ 1,828,205	13.08%
2010	\$ 175,565	\$ 175,565	\$ -	\$ 1,999,595	8.78%
2009	\$ 171,130	\$ 171,130	\$ -	\$ 1,936,495	8.84%
2008	\$ 206,725	\$ 206,725	\$ -	\$ 1,879,431	11.00%
2007	\$ 197,029	\$ 197,029	\$ -	\$ 1,800,884	10.94%

TOWN OF BIG STONE GAP
Notes to Required Supplemental Information
For the Year Ended June 30, 2016

Change of benefit terms - There have been no significant changes to the Systems benefits provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits.

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

Largest 10 - Non-LEOS

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increases by .25% per year

Largest 10 - LEOS

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increases by .25% per year

All Others (Non 10 Largest) - LEOS

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

**TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND REVENUES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>PRIMARY GOVERNMENT</u>				
GENERAL FUND:				
Revenue from Local Sources:				
General Property Taxes:				
Real property taxes	\$ 770,000	\$ 770,000	\$ 777,925	\$ 7,925
Real and personal public service corporation property taxes	45,000	45,000	42,403	(2,597)
Personal property taxes	162,000	162,000	159,670	(2,330)
Machinery and tools taxes	300	300	660	360
Penalties and interest	27,300	27,300	26,921	(379)
Total General Property Taxes	<u>1,004,600</u>	<u>1,004,600</u>	<u>1,007,579</u>	<u>2,979</u>
Other Local Taxes:				
Local sales and use taxes	200,000	200,000	206,284	6,284
Cigarette taxes	29,200	29,200	60,810	31,610
Utility taxes	111,000	111,000	114,522	3,522
Business licenses taxes	252,600	252,600	269,032	16,432
Communication taxes	195,000	195,000	185,028	(9,972)
Motor vehicle licenses	60,000	60,000	44,045	(15,955)
Bank stock taxes	95,000	95,000	116,969	21,969
Hotel and motel room taxes	9,000	9,000	6,293	(2,707)
Restaurant food taxes	545,000	545,000	573,026	28,026
Coal road improvement taxes	50,000	50,000	30,713	(19,287)
Total Other Local Taxes	<u>1,546,800</u>	<u>1,546,800</u>	<u>1,606,722</u>	<u>59,922</u>
Permits, Privilege Fees, And Regulatory Licenses	<u>3,200</u>	<u>3,200</u>	<u>2,910</u>	<u>(290)</u>
Fines and Forfeitures	<u>25,150</u>	<u>25,150</u>	<u>16,341</u>	<u>(8,809)</u>
Revenue From Use Of Money and Property:				
Revenue from use of money	2,200	2,200	2,884	684
Revenue from use of property	14,300	14,300	22,098	7,798
Total Revenue From Use of Money and Property	<u>16,500</u>	<u>16,500</u>	<u>24,982</u>	<u>8,482</u>
Charges For Services:				
Fire services	11,000	11,000	11,108	108
Security	1,000	1,000	6,331	5,331
Charges for sanitation and waste removal	289,000	289,000	283,125	(5,875)
Charges for parks and recreation	34,300	34,300	44,097	9,797
Cemetery plots and materials	40,000	40,000	23,155	(16,845)
Police Restitution	74,772	74,772	52,235	(22,537)
Charges for maintenance of highways, bridges, and streets	-	-	-	-
Total Charges For Services	<u>450,072</u>	<u>450,072</u>	<u>420,051</u>	<u>(30,021)</u>
Miscellaneous Revenue	<u>183,000</u>	<u>183,000</u>	<u>249,204</u>	<u>66,204</u>
Recovered Costs	<u>122,000</u>	<u>122,000</u>	<u>134,263</u>	<u>12,263</u>
Total Revenue From Local Sources	<u>\$ 3,351,322</u>	<u>\$ 3,351,322</u>	<u>\$ 3,462,052</u>	<u>\$ 110,730</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, 2016

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue From The Commonwealth:				
Non-Categorical Aid:				
ABC profits	\$ -	\$ -	\$ -	\$ -
Wine taxes	-	-	-	-
Motor vehicle carriers' taxes	2,000	2,000	2,508	508
Mobile home titling taxes	1,000	1,000	-	(1,000)
Rolling stock taxes	10,000	10,000	9,556	(444)
Coal haul road revenue	50,000	50,000	50,000	-
Assistance to localities with police departments	138,800	138,800	138,888	88
Total Non-Categorical Aid	<u>201,800</u>	<u>201,800</u>	<u>200,952</u>	<u>(848)</u>
Other Categorical Aid:				
Street and highway maintenance	860,000	860,000	894,711	34,711
Litter control	3,000	3,000	2,882	(118)
Financial assistance to the arts	5,000	5,000	5,000	-
Fire programs fund	16,000	16,000	17,793	1,793
Tobacco Commission grant	200,000	200,000	200,000	-
VDOT (OTHER)	-	368,000	-	(368,000)
VDOT(GREENBELT)	544,000	544,000	24,083	(519,917)
VDOT(SIGNAL PROJECTS)	335,500	335,500	-	(335,500)
Total Other Categorical Aid	<u>1,963,500</u>	<u>2,331,500</u>	<u>1,144,469</u>	<u>(1,187,031)</u>
Total Revenue From The Commonwealth	<u>2,165,300</u>	<u>2,533,300</u>	<u>1,345,421</u>	<u>(1,187,879)</u>
Revenue From The Federal Government:				
Payment In Lieu of Taxes:				
Payment in lieu of property taxes	44,500	44,500	43,500	(1,000)
Total Payment in Lieu of Taxes	<u>44,500</u>	<u>44,500</u>	<u>43,500</u>	<u>(1,000)</u>
Categorical Aid:				
Edward Byrne Memorial Formula Grant	-	3,009	3,009	-
HIDTA Grant	38,866	110,587	110,280	(307)
VMLIP Risk Management Grant	1,000	1,000	-	(1,000)
Community Development Block Grant	-	-	-	-
Appalachian Regional Commission Grant	551,294	551,294	-	-
Rural Development Grant	-	49,300	49,300	-
Big Stone Gap DUI Grant	-	11,993	10,321	(1,672)
Total Categorical Aid	<u>591,160</u>	<u>727,183</u>	<u>172,910</u>	<u>(2,979)</u>
Total Revenue From The Federal Government	<u>635,660</u>	<u>771,683</u>	<u>216,410</u>	<u>(555,273)</u>
Prior Years Surplus	<u>-</u>	<u>345,427</u>	<u>-</u>	<u>345,427</u>
TOTAL GENERAL FUND	<u>6,152,282</u>	<u>7,001,732</u>	<u>5,023,883</u>	<u>(1,286,995)</u>
Community Development Fund:				
Revenue From Local Sources:				
Revenue from use of money	-	-	-	-
Total Revenue From Local Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Community Development Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Charges for services:				
Collection fees	-	-	-	-
Total Charges for Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL SPECIAL REVENUE FUNDS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
GRAND TOTALS - REVENUES - PRIMARY GOVERNMENT FUNDS	<u>\$ 6,152,282</u>	<u>\$ 7,001,732</u>	<u>\$ 5,023,883</u>	<u>\$ (1,286,995)</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, 2016

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>PRIMARY GOVERNMENT</u>				
GENERAL FUND:				
General Government Administration:				
Legislative:				
Town Council	\$ 45,100	\$ 36,100	\$ 31,869	\$ 4,231
Mayor	5,100	5,100	3,495	1,605
Total Legislative	50,200	41,200	35,364	5,836
General and Financial Administration:				
Town Manager	149,590	179,952	195,345	(15,393)
Legal and consulting	52,500	51,200	46,743	4,457
Independent auditor	20,000	17,000	15,900	1,100
Treasurer/Clerk	198,700	193,500	180,669	12,831
Accounting	71,300	71,300	70,489	811
Risk management	129,300	126,900	109,699	17,201
Automotive/motor pool	148,000	138,000	129,272	8,728
Central purchasing	85,100	86,100	88,687	(2,587)
Data processing	70,700	70,700	69,755	945
Total General and Financial Administration	925,190	934,652	906,559	28,093
Total General Government Administration	975,390	975,852	941,923	33,929
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	1,173,100	1,282,101	1,192,522	89,579
Drug task force	113,638	185,359	171,822	13,537
Total Law Enforcement and Traffic Control	1,286,738	1,467,460	1,364,344	103,116
Fire and Rescue Services:				
Volunteer fire department	183,550	733,091	244,562	488,529
Ambulance and rescue services	5,000	5,000	5,000	-
Total Fire and Rescue Services	188,550	738,091	249,562	488,529
Inspections:				
Building	17,460	17,460	17,844	(384)
Plumbing	-	-	-	-
Total Inspections	17,460	17,460	17,844	(384)
Total Public Safety	1,492,748	2,223,011	1,631,750	591,261
Public Works:				
Maintenance of Highways, Streets, Bridges and Sidewalks:				
Highways, streets, bridges, and sidewalks	1,003,500	1,539,550	795,015	744,535
Storm drainage	15,000	15,000	12,413	2,587
Street lights	83,000	92,800	91,226	1,574
Snow and ice removal	34,000	24,200	21,940	2,260
Curbs and guttering	25,000	25,000	-	25,000
Total Maintenance of Highways, Streets, Bridges, and Sidewalks	1,160,500	1,696,550	920,594	775,956

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2016

SCHEDULE 2
Page 2

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Sanitation and Waste Removal:				
Refuse collection	\$ 267,600	\$ 402,692	\$ 377,279	\$ 25,413
Litter control	-	-	-	-
Total Sanitation and Waste Removal	<u>267,600</u>	<u>402,692</u>	<u>377,279</u>	<u>25,413</u>
Maintenance of General Buildings and Grounds:				
General properties	240,900	339,531	245,466	94,065
Total Public Works	<u>1,669,000</u>	<u>2,438,773</u>	<u>1,543,339</u>	<u>895,434</u>
Health and Welfare:				
Area agency on aging	2,500	2,500	2,500	-
Property tax relief for elderly	-	-	30,939	(30,939)
Total Welfare/Social Services	<u>2,500</u>	<u>2,500</u>	<u>33,439</u>	<u>(30,939)</u>
Total Health and Welfare	<u>2,500</u>	<u>2,500</u>	<u>33,439</u>	<u>(30,939)</u>
Parks, Recreation and Cultural:				
Administration	576,850	632,405	596,505	35,900
Green Belt Trail	544,000	544,000	37,168	506,832
Maintenance	25,000	29,696	29,519	177
Swimming pool	52,400	52,400	46,860	5,540
Cemeteries	85,200	85,699	114,996	(29,297)
Farmers Market	1,000	1,000	1,000	-
Total Parks and Recreation	<u>1,284,450</u>	<u>1,345,200</u>	<u>826,048</u>	<u>519,152</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	5,000	5,000	5,000	-
Tourism	251,294	251,294	423,994	(172,700)
Miscellaneous	20,000	20,000	18,000	2,000
Total Cultural Enrichment	<u>284,294</u>	<u>284,294</u>	<u>454,994</u>	<u>(170,700)</u>
Library:				
Payments to regional library	-	-	-	-
Total Parks, Recreation and Cultural	<u>1,568,744</u>	<u>1,629,494</u>	<u>1,281,042</u>	<u>348,452</u>
Community Development:				
Planning	-	-	-	-
Community development	500,000	521,800	23,460	498,340
Total Planning and Community Development	<u>500,000</u>	<u>521,800</u>	<u>23,460</u>	<u>498,340</u>
Total Community Development	<u>500,000</u>	<u>521,800</u>	<u>23,460</u>	<u>498,340</u>

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2016

SCHEDULE 2
Page 3

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Non-Departmental:				
Contingency	\$ -	\$ -	\$ -	\$ -
Total Non-Departmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Service:				
Principal retirement	\$ 103,900	\$ 103,900	\$ 87,500	\$ 16,400
Interest	-	-	18,297	(18,297)
Total Debt Service	<u>103,900</u>	<u>103,900</u>	<u>105,797</u>	<u>(1,897)</u>
TOTAL GENERAL FUND	<u>6,312,282</u>	<u>7,895,330</u>	<u>5,560,750</u>	<u>2,334,580</u>
GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS	<u>\$ 6,312,282</u>	<u>\$ 7,895,330</u>	<u>\$ 5,560,750</u>	<u>\$ 2,334,580</u>
OTHER FINANCING RESOURCES (USES):				
Sale of property	10,000	10,000	13,589	3,589
Insurance recoveries	-	-	62,461	62,461
Loan proceeds	-	733,598	365,700	(367,898)
Transfers in (out)	150,000	150,000	-	150,000
Total Other Financing Sources (Uses)	<u>160,000</u>	<u>893,598</u>	<u>441,750</u>	<u>(151,848)</u>
Net Increase (Decrease) in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (95,117)</u>	<u>\$ (95,117)</u>

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF TREASURER'S ACCOUNTABILITY
 June 30, 2016

SCHEDULE 3

ASSETS HELD BY THE TREASURER:

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

Checking:

Branch Bank and Trust	131,448	
Powell Valley National Bank	<u>2,102,933</u>	
Total Checking		2,234,381

Savings:

Powell Valley National Bank	<u>36,061</u>	
Total savings		36,061

Certificates of Deposit:

Powell Valley National Bank	<u>2,419,345</u>	
Total Certificates of Deposit		<u>2,419,345</u>

TOTAL CASH IN BANKS		\$ <u>4,689,787</u>
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TOTAL CASH		\$ <u>4,690,287</u>
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LIABILITIES OF THE TREASURER:

BALANCE OF TOWN FUNDS		\$ <u>4,690,287</u>
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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.	70
REVENUE CAPACITY These schedules contain trend information to help the reader assess the Town's most significant local revenue source, the property tax.	74
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.	78
ECONOMIC AND DEMOGRAPHIC INFORMATION These schedules offer economic and demographic indicators to help the reader understand the Environment within which the town's financial activities take place.	81
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.	83

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

TABLE 1

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 3,870,572	\$ 4,322,378	\$ 4,210,611	\$ 4,179,588	\$ 4,314,741	\$ 4,723,153	\$ 4,918,489	\$ 5,486,403	\$ 5,836,586	\$ 6,561,745
Restricted	-	-	-	-	200,446	454,022	420,705	498,697	433,933	426,648
Unrestricted	419,933	641,213	1,180,943	1,726,246	1,941,252	1,695,739	1,901,976	2,057,576	796,031	826,637
Total governmental activities net position	4,290,505	4,963,591	5,391,554	5,905,834	6,456,439	6,872,914	7,241,170	8,042,676	7,066,550	7,815,030
Business-type activities										
Invested in capital assets, net of related debt	7,928,103	8,569,892	9,003,225	10,708,386	12,017,827	12,940,723	13,790,758	14,356,841	14,104,154	13,946,633
Restricted	-	-	-	-	-	-	519,418	566,989	576,522	578,654
Unrestricted	885,858	893,538	1,491,719	1,601,325	1,857,691	1,733,800	266,697	86,526	(512,924)	(299,568)
Total business-type activities	8,813,961	9,463,430	10,494,944	12,309,711	13,875,518	14,674,523	14,576,873	15,010,356	14,167,752	14,225,719
Primary government										
Net investment in capital assets	11,798,675	12,892,270	13,213,836	14,887,974	16,332,568	17,663,876	18,709,247	19,843,244	19,940,740	20,508,378
Restricted	-	-	-	-	200,446	454,022	940,123	1,065,686	1,010,455	1,005,302
Unrestricted	1,305,791	1,534,751	2,672,662	3,327,571	3,798,943	3,429,539	2,168,673	2,144,102	283,107	527,069
Total primary government net position	\$ 13,104,466	\$ 14,427,021	\$ 15,886,498	\$ 18,215,545	\$ 20,331,957	\$ 21,547,437	\$ 21,818,043	\$ 23,053,032	\$ 21,234,302	\$ 22,040,749

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities:										
General government	\$ 717,663	\$ 750,048	\$ 793,862	\$ 853,099	\$ 752,749	\$ 725,015	\$ 825,324	\$ 994,202	\$ 1,051,566	\$ 1,012,786
Public safety	1,371,247	1,680,063	1,788,780	1,794,103	1,711,243	1,608,733	1,770,301	1,724,958	1,412,244	1,389,878
Public works	1,195,888	1,195,768	1,057,026	1,156,339	1,087,526	1,156,507	1,321,308	1,340,341	1,012,813	1,201,774
Health and welfare	29,134	18,697	19,267	27,639	27,892	29,003	34,398	32,417	25,299	33,439
Parks, recreation and cultural	485,523	502,666	429,139	483,823	492,531	558,739	654,966	574,353	582,673	621,698
Community development	4,768	37,805	132,685	8,907	133,659	202,116	155,970	2,700	15,850	23,460
Interest on long-term debt	13,021	7,455	3,479	3,727	2,907	2,568	16,125	15,805	15,573	18,297
Non-departmental	19,745	15,264	4,469	331	100	-	-	-	-	-
Total government activities expense	3,836,989	4,207,766	4,228,707	4,327,968	4,208,607	4,282,681	4,778,392	4,684,776	4,116,018	4,301,332
Business-Type Activities:										
Water	2,336,166	2,324,170	2,382,111	2,554,898	2,599,843	2,816,255	2,910,990	2,839,093	2,612,238	2,434,693
Wastewater	1,023,874	1,173,133	1,197,494	1,422,626	1,561,332	1,531,330	1,555,631	1,499,681	1,488,939	1,475,405
Total business-type activities expenses	3,360,040	3,497,303	3,579,605	3,977,524	4,161,175	4,347,585	4,466,621	4,338,774	4,101,177	3,910,098
Total primary government expenses	\$ 7,197,029	\$ 7,705,069	\$ 7,808,312	\$ 8,305,492	\$ 8,369,782	\$ 8,630,266	\$ 9,245,013	\$ 9,023,550	\$ 8,217,195	\$ 8,211,430
Program Revenues										
Governmental Activities:										
Charges for services										
Public safety	\$ 6,261	\$ 98,895	\$ 86,494	\$ 90,531	\$ 74,333	\$ 26,966	\$ 135,528	\$ 80,175	\$ 67,658	\$ 69,674
Public works	295,188	293,745	302,458	298,475	299,240	299,072	294,572	289,306	288,848	283,125
Parks, recreation and culture	49,115	47,326	65,745	82,602	68,182	68,536	74,812	70,685	69,571	67,252
Community development	-	-	-	-	-	-	-	1,020	-	-
Operating grants and contributions	883,801	862,762	1,098,713	1,205,841	1,127,046	1,345,211	1,106,199	1,410,673	1,204,384	1,235,119
Capital grants and contributions	66,048	87	97,714	31,500	25,167	5,000	69,422	867,894	93,598	273,383
Total governmental activities program revenues	1,300,413	1,302,815	1,651,124	1,708,949	1,593,968	1,744,785	1,680,533	2,719,753	1,724,059	1,928,553
Business-Type Activities:										
Charges for services										
Water	1,493,323	1,619,820	2,451,915	2,590,632	2,448,059	2,578,259	2,523,599	2,583,230	2,495,051	2,506,629
Wastewater	1,222,785	1,251,343	1,226,704	1,266,356	1,384,341	1,485,525	1,424,508	1,550,445	1,427,363	1,413,709
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	2,241,987	974,638	445,790	731,453	1,931,772	1,645,042	1,186,401	634,481	120,276	40,864
Total business-type activities program revenues	4,958,095	3,845,801	4,124,409	4,588,441	5,764,172	5,708,826	5,134,508	4,768,156	4,042,690	3,961,202
Total primary government program revenues	\$ 6,258,508	\$ 5,148,616	\$ 5,775,533	\$ 6,297,390	\$ 7,358,140	\$ 7,453,611	\$ 6,815,041	\$ 7,487,909	\$ 5,766,749	\$ 5,889,755
Net (Expense)/Revenue										
Governmental Activities	\$ (2,536,576)	\$ (2,904,951)	\$ (2,577,583)	\$ (2,619,019)	\$ (2,614,639)	\$ (2,537,896)	\$ (3,097,859)	\$ (1,965,023)	\$ (2,391,959)	\$ (2,372,779)
Business-Type Activities:	1,598,055	348,498	544,804	610,917	1,602,997	1,361,241	667,887	429,382	(58,487)	51,104
Total primary government net (expense)/revenue	\$ (938,521)	\$ (2,556,453)	\$ (2,032,779)	\$ (2,008,102)	\$ (1,011,642)	\$ (1,176,655)	\$ (2,429,972)	\$ (1,535,641)	\$ (2,450,446)	\$ (2,321,675)

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Revenues and other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	\$ 845,746	\$ 841,344	\$ 846,783	\$ 990,112	\$ 996,365	\$ 985,082	\$ 996,372	\$ 1,021,829	\$ 1,021,829	\$ 1,019,919
Local sales & use tax	195,894	237,048	246,805	397,989	278,650	210,028	200,693	188,713	188,713	206,284
Utility tax	215,039	121,292	122,002	120,987	121,666	114,829	108,135	120,608	120,608	114,522
Business license tax	255,666	258,033	259,342	255,043	257,689	272,666	262,667	224,685	224,685	269,032
Franchise license tax	22,843	-	-	-	-	-	-	-	-	-
Communication tax	60,863	216,926	203,829	197,280	202,260	191,746	212,801	192,354	192,354	185,028
Motor vehicle license	70,196	67,853	65,787	61,221	59,702	56,253	54,952	53,534	53,534	44,045
Bank stock tax	73,317	70,978	81,943	94,393	102,233	91,752	98,302	92,414	92,414	116,969
Cigarette tax	33,875	39,969	33,155	35,155	34,500	31,840	33,135	25,860	25,860	60,810
Hotel and motel room tax	13,987	10,836	12,866	13,038	11,500	10,576	10,695	7,902	7,902	6,293
Restaurant food tax	440,781	469,331	487,128	497,286	515,271	536,202	524,473	531,584	531,584	573,026
Coal road improvement tax	193,686	191,614	237,445	160,221	198,370	223,155	107,719	70,663	70,663	30,713
Unrestricted intergovernmental revenue	63,443	69,912	86,329	62,828	31,672	56,117	60,080	60,070	60,070	53,329
Unrestricted investment earnings	10,898	5,407	4,595	7,805	5,988	4,407	2,507	1,696	1,696	2,884
Rental of Town property	10,026	13,768	11,564	8,596	8,240	10,049	44,152	14,342	14,342	22,098
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	13,589
Other	187,194	255,960	248,148	346,326	190,321	223,921	198,484	160,275	160,275	402,718
Total governmental activities	2,693,454	2,870,271	2,947,721	3,248,280	3,014,427	3,018,623	2,915,167	2,766,529	2,766,529	3,121,259
Business-Type Activities:										
Unrestricted investment earnings	16,394	22,363	22,678	28,119	18,156	12,082	7,877	4,101	4,101	6,863
Other	-	-	-	-	-	-	-	-	-	-
Total business-type activities	16,394	22,363	22,678	28,119	18,156	12,082	7,877	4,101	4,101	6,863
Total primary government	\$ 2,709,848	\$ 2,892,634	\$ 2,970,399	\$ 3,276,399	\$ 3,032,583	\$ 3,030,705	\$ 2,923,044	\$ 2,770,630	\$ 2,770,630	\$ 3,128,122
Change in Net Position										
Governmental Activities	\$ 156,878	\$ (34,680)	\$ 370,138	\$ 629,261	\$ 399,788	\$ 480,727	\$ (182,692)	\$ 801,506	\$ 374,570	\$ 748,480
Business-Type Activities	1,614,449	370,861	567,482	639,036	1,621,153	1,373,323	675,764	433,483	(54,386)	57,967
Total primary government	\$ 1,771,327	\$ 336,181	\$ 937,620	\$ 1,268,297	\$ 2,020,941	\$ 1,854,050	\$ 493,072	\$ 1,234,989	\$ 320,184	\$ 806,447

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

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund										
Reserved	\$ -	\$ -	\$ 48,008	\$ 14,423	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	493,491	658,449	1,162,322	1,768,980	-	-	-	-	-	-
Nonspendable					\$ 486	\$ 3,794	\$ 1,588,988	\$ 1,581,391	\$ 1,587,132	\$ 1,544,363
Restricted					124,284	376,171	341,200	418,150	435,429	439,545
Committed					853,000	404,050	309,250	288,150	147,600	317,740
Assigned					219,516	214,338	69,424	101,539	366,522	254,901
Unassigned					999,672	1,247,385	170,111	354,236	500,743	385,760
Total general fund	\$ 493,491	\$ 658,449	\$ 1,210,330	\$ 1,783,403	\$ 2,196,958	\$ 2,245,738	\$ 2,478,973	\$ 2,743,466	\$ 3,037,426	\$ 2,942,309
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special Revenue fund	66,905	69,665	72,213	74,325	-	-	-	-	-	-
Nonspendable					\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted					76,162	77,850	79,505	80,547	-	-
Committed					-	-	-	-	-	-
Assigned					-	-	-	-	-	-
Unassigned					-	-	-	-	-	-
Total all other governmental funds	\$ 66,905	\$ 69,665	\$ 72,213	\$ 74,325	\$ 76,162	\$ 77,850	\$ 79,505	\$ 80,547	\$ -	\$ -

- 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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues										
General property taxes	\$ 831,352	\$ 842,666	\$ 818,375	\$ 992,148	\$ 985,417	\$ 975,224	\$ 991,818	\$ 1,023,133	\$ 991,206	\$ 1,007,579
Other local taxes	1,515,284	1,683,880	1,750,302	1,832,613	1,781,841	1,739,047	1,613,572	1,508,317	1,532,062	1,606,722
Permits and licenses	6,830	19,624	4,698	3,184	4,672	3,726	3,078	2,382	3,814	2,910
Fines and forfeitures	39,717	31,517	41,271	32,447	35,080	28,408	19,335	22,755	30,032	16,341
Investment earnings	20,924	19,175	16,159	16,401	14,228	14,456	46,659	16,038	15,953	24,982
Charges for services	439,966	474,697	471,608	441,755	394,574	504,912	450,749	441,186	426,097	420,051
Other revenues	12,170	12,480	9,889	147,254	15,289	70,322	113,552	38,470	246,530	249,204
Recovered cost	113,680	128,105	124,865	126,919	128,075	122,675	121,525	121,000	146,301	134,263
Intergovernmental	987,155	1,246,339	1,323,670	1,215,041	1,381,883	1,231,738	1,772,320	2,307,137	1,333,234	1,561,831
Total revenues	3,967,078	4,458,483	4,560,837	4,807,762	4,741,059	4,690,508	5,132,608	5,480,418	4,725,229	5,023,883
Expenditures										
General government	661,192	767,943	740,792	794,343	832,597	850,119	928,404	918,390	898,907	941,923
Public safety	1,283,365	1,658,265	1,714,114	1,693,280	1,741,189	1,588,682	1,797,006	1,719,110	1,522,304	1,631,750
Public works	1,165,941	1,088,867	949,673	1,209,698	1,038,581	1,434,840	1,294,684	1,288,192	1,030,370	1,543,339
Health and welfare	29,134	18,697	19,267	27,639	27,892	29,003	34,398	32,417	25,299	33,439
Parks, recreation and culture	545,334	635,346	429,224	491,009	530,460	746,227	705,609	801,096	889,901	1,281,042
Community development	4,768	37,805	132,685	8,907	133,659	202,116	155,970	408,345	190,337	23,460
Non-Departmental	19,745	15,264	4,469	331	100	-	-	-	-	-
Debt service										
Principal	121,450	125,357	80,130	26,550	27,370	29,009	68,326	52,596	65,404	87,500
Interest	13,021	7,455	3,479	3,727	2,907	2,568	16,125	15,804	15,573	18,297
Total expenditures	3,843,950	4,354,999	4,073,833	4,255,484	4,334,755	4,882,564	5,000,522	5,235,950	4,638,095	5,560,750
Excess of revenues over (under) expenditures	123,128	103,484	487,004	552,278	406,304	(192,056)	132,086	244,468	87,134	(536,867)
Other Financing Sources (Uses)										
Proceeds from borrowing	-	-	-	-	-	236,000	92,302	12,698	123,500	365,700
Insurance Recoveries	14,797	64,234	67,425	22,907	9,088	6,524	10,502	8,349	2,779	62,461
Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	13,589
Total other financing sources (uses)	14,797	64,234	67,425	22,907	9,088	242,524	102,804	21,047	126,279	441,750
Net change in fund balance	\$ 137,925	\$ 167,718	\$ 554,429	\$ 575,185	\$ 415,392	\$ 50,468	\$ 234,890	\$ 265,515	\$ 213,413	\$ (95,117)
Debt service as a percentage of noncapital expenditures	3.63%	3.15%	2.10%	0.72%	0.70%	0.65%	1.72%	1.32%	1.78%	1.94%

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	Real Estate	Personal Property	Machinery and Tools	Public Utilities		Mobile Homes	Total Assessed Value	Total Direct Tax rate per \$100
				Real Estate	Personal Property			
2016	\$ 178,591,550	\$ 27,283,580	\$ 270,395	\$ 9,630,375	\$ 4,750	\$ 863,280	\$ 216,643,930	\$ 0.465
2015	178,283,162	27,409,690	306,700	8,699,675	51,645	894,230	215,645,102	0.460
2014	177,662,445	27,945,443	168,840	6,932,855	466,022	1,017,440	214,193,045	0.478
2013	176,690,845	15,583,595	149,575	6,766,360	100,680	872,150	200,163,205	0.469
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

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	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Public Utilities		Overlapping Rates Wise County	
					Real Estate	Personal Property	Real Estate	Personal Property
2016	\$ 0.44	\$ 0.62	\$ 0.62	\$ 0.44	\$ 0.44	\$ 0.62	\$ 0.57	\$ 1.49
2015	0.44	0.62	0.62	0.44	0.44	0.62	0.57	1.49
2014	0.44	0.62	0.62	0.44	0.44	0.62	0.57	1.49
2013	0.44	0.62	0.62	0.44	0.44	0.62	0.57	1.49
2012	0.44	0.62	0.62	0.44	0.44	0.62	0.57	1.49
2011	0.44	0.62	0.62	0.44	0.44	0.62	0.57	1.49
2010	0.44	0.62	0.62	0.44	0.44	0.62	0.57	1.49
2009	0.44	0.62	0.62	0.44	0.44	0.62	0.57	1.49
2008	0.44	0.62	0.62	0.44	0.44	0.62	0.57	1.49
2007	0.44	0.62	0.62	0.44	0.44	0.62	0.57	1.49

1) Rates are presented per \$100 assessed value

TABLE 7

**TOWN OF BIG STONE GAP, VIRGINIA
PRINCIPAL PROPERTY TAX PAYERS (UNAUDITED)
CURRENT YEAR AND TEN YEARS AGO**

June 30, 2016:

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Percent of Real Estate Levy</u>
One Center Corp	Shopping center	4,328,600	2.42%
Heritage Hall Holding	Nursing home and elderly care	3,054,800	1.71%
Bunch Family Limited Partners	Investment Company	3,092,400	1.73%
Lonesome Pine Hospital	Health care	2,305,000	1.29%
Heritage Hall Holding	Nursing home and elderly care	1,596,700	0.89%
Don Wax Estate	Estate	1,238,100	0.69%
Powell Valley National Bank	Banking operation	1,103,400	0.62%
One Center Corp	Shopping center	935,300	0.52%
Management Properties Inc.	Investment Company	954,600	53.00%
Don Wax Estate	Estate	834,600	0.47%

June 30, 2007:

<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.

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
2016	\$ 1,002,845	\$ 929,567	92.69%	\$ 51,089	980,656	97.79%	\$ 246,154	24.55%
2015	998,827	906,813	90.79%	52,467	959,280	96.04%	208,470	20.87%
2014	958,629	877,969	91.59%	50,584	928,553	96.86%	201,271	21.00%
2013	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%

(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				
			Water Bonds	Wastewater Bonds			
2016	\$ 585,667	\$ -	\$ 9,976,469	\$ 4,927,656	\$ 15,489,792	20.22%	\$ 2,860
2015	307,467	-	10,356,456	5,228,174	15,892,097	22.13%	2,912
2014	249,371	-	10,687,765	5,527,071	16,464,207	19.80%	2,933
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

- 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	
	Outstanding	Actual Taxable	
	General Obligation Bonds	Value of Property	Per Capita
2016	\$ 9,544,595	4.41%	\$ 1,762
2015	9,757,904	4.52%	1,788
2014	10,145,875	4.74%	1,807
2013	10,370,509	5.18%	1,859
2012	10,762,717	5.09%	1,907
2011	10,796,397	5.09%	1,923
2010	11,079,045	5.30%	1,897
2009	7,063,175	3.96%	1,207
2008	-	0.00%	-
2007	18,762	0.01%	3

- 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**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Assessed valuations										
Assessed value of taxed real property	\$ 139,581,582	\$ 140,791,413	\$ 142,455,414	\$ 173,298,221	\$ 174,834,870	\$ 176,093,320	\$ 176,690,845	\$ 177,662,445	\$ 178,283,162	\$ 178,591,550
Legal debt margin										
Debt limit - 10 percent of total assessed value	13,958,158	14,079,141	14,245,541	17,329,822	17,483,487	17,609,332	17,669,085	17,766,245	17,828,316	17,859,155
Debt applicable to limitation:										
Total bonded debt	11,603,675	11,261,897	15,395,312	19,189,053	18,426,647	17,905,657	17,025,649	16,464,207	15,892,097	15,489,792
Less - water and wastewater revenue bonds	(11,584,913)	(11,261,897)	(8,332,137)	(8,110,008)	(7,630,250)	(7,142,940)	(6,655,140)	(6,318,332)	(6,134,193)	(5,945,197)
Total amount of debt applicable to debt limitation	18,762	-	7,063,175	11,079,045	10,796,397	10,762,717	10,370,509	10,145,875	9,757,904	9,544,595
Legal debt margin	\$ 13,939,396	\$ 14,079,141	\$ 7,182,366	\$ 6,250,777	\$ 6,687,090	\$ 6,846,615	\$ 7,298,576	\$ 7,620,370	\$ 8,070,412	\$ 8,314,560
Total net debt applicable to the limit as a percentage of debt limit	0.13%	0.00%	49.58%	63.93%	61.75%	61.12%	58.69%	57.11%	54.73%	53.44%

**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	
2016	\$ 2,506,629	\$ 1,457,917	\$ 1,048,712	\$ 379,987	\$ 353,048	\$ 733,035	1.43
2015	2,495,051	1,640,066	854,985	370,347	359,425	729,772	1.17
2014	2,583,230	1,873,897	709,333	353,964	368,622	722,586	0.98
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

Fiscal Years Ended June 30	Wastewater Revenue Bonds						
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2016	\$ 1,413,709	\$ 792,745	\$ 620,964	\$ 300,518	\$ 70,425	\$ 370,943	1.67
2015	1,427,363	817,037	610,326	298,897	71,450	370,347	1.50
2014	1,550,445	822,170	728,275	455,980	73,592	529,572	1.38
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

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

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

Fiscal Years Ended June 30	Population	Personal Income	Per Capita Median Income	Median Age	School Enrollment	Unemployment Rate
2016	5,416	\$ 76,620,152	14,147	33.3	1,789	7.50%
2015	5,457	71,808,663	13,159	33.3	1,793	8.90%
2014	5,614	83,132,112	14,808	35.0	1,813	4.60%
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%

- 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 TEN YEARS AGO**

June 30, 2016

<u>Employer</u>	<u>Product or Service</u>	<u>Total Estimated Employment*</u>
Wallens Ridge State Prison	Public Agency	250-499
Mountain Empire Community College	Public Agency	250-499
Wise County Public Schools	Public Agency	250-499
Lonesome Pine Regional Hospital	Health Care	250-499

June 30, 2007

<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	371
Mountain Empire Community College	Public Agency	374
Town of Big Stone Gap	Public Agency	87

1) Source: Virginia Employment Commission

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

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government										
Management services	1	1	1	1	1	1	1	1	1	1
Finance	2	2	2	2	2	2	3	3	3.5	4.5
Planning	0	0	0	0	0	0	0	0	0	0
Building	1	1	1	1	1	1	1	1	1	1
Other	7	8	8	6.5	7.5	5.5	4	4	3.5	3.5
Public safety										
Officers	17	18	18	16.5	16.5	16	15	15	15	13
Civilians	3	3	3	3	4	4	3	3	3	2
Public works										
Refuse collection	3	4	4	4	3	5	3	4	4	4
Streets	10	7	8	7	7	6	6	6	6	5
other	9	10	9	11	9	8.5	9	9.5	11	14
Parks and recreation										
Parks	5.5	6	5.5	5.5	6	7	2	5.5	5	6
Other	7.5	8	5.5	6	4	5	1	5	3.5	3.5
Water operations	6	7	7	7.5	7	8	5	12.5	9	8.5
Wastewater operations	4.5	4.5	4.5	4	3.5	4	3	3.5	3.5	5

1) Source: Town's finance department

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

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety										
Citations written	1,240	1,583	1,818	1,288	1,420	1,326	694	1,188	1,161	891
Water operations										
Number of service connections	3,911	3,922	3,941	3,947	3,930	3,841	3,861	3,883	3,844	3,858
Average daily consumption in gallons	762,000	762,000	884,034	786,236	799,009	734,759	894,172	760,107	653,728	622,292
Maximum daily capacity of plant in gallons	3,180,000	3,180,000	3,180,000	3,180,000	4,000,000	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000
Wastewater operations										
Number of service connections	2,723	2,639	2,438	2,660	2,639	2,701	2,749	2,601	2,585	2,576
Average daily treatment in gallons	1,580,000	1,580,000	1,796,167	1,251,478	1,533,083	1,758,417	1,904,167	1,474,000	1,932,600	1,926,583
Maximum daily capacity of plant in gallons	2,000,000	2,000,000	2,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000

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

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	10	10	10	10	11	10	10	11	11	13
Public works										
Streets (miles)	56	56	56	56	56	56	68	68.36	68	68
Streetlights	574	574	574	574	574	574	571	571	571	571
Traffic signals	7	7	7	7	7	7	7	7	7	7
Water operations										
Miles of water main	56	56	56	56	56	56	56	47.39	85	85
Number of fire hydrants	300	300	300	300	300	300	300	361	361	361
Wastewater operations										
Miles of sanitary sewers	12	12	12	12	12	12	12	34	34	34
Miles of storm sewers	8	8	8	8	8	8	8	8	8	8
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of pumping stations	6	6	6	6	6	6	6	7	7	7