



TOWN of  
**Big Stone Gap**<sup>TM</sup>  
A VIRGINIA MOUNTAIN TOWN

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Year Ended June 30, 2019**

**TOWN OF BIG STONE GAP, VIRGINIA**  
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**June 30, 2019**

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

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**June 30, 2019**

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**TOWN COUNCIL:**

Gary Johnson, Mayor  
Nancy Bailey, Vice-Mayor  
Crystal Lyke  
Kent Gilley  
Tyler Hughes  
Robert Bloomer  
Aaron McKinney

**TOWN OFFICERS:**

Stephen Lawson, Town Manager  
Steve Hamm, Chief of Police  
Amanda Hawkins, Town Clerk/Treasurer

**TOWN LEGAL COUNSEL:**

Charles Bledsoe, Attorney at Law



## **Management Discussion and Analysis (Unaudited)**

December 5, 2019

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, 2019.

### **Financial Highlights**

- The assets of the Town exceeded its liabilities at the end of the fiscal year by \$23,226,984 (net position). Of this amount, \$804,811 is unrestricted.
- At June 30, 2019, the Town reported combined ending fund balances of \$2,743,146, a decrease of \$398,347 in comparison with the prior year. Approximately 21.18% of this total amount is available for spending at the Town Council's discretion (unassigned fund balance).
- As of June 30, 2019, the General Fund had a total Fund Balance of \$2,743,146.
- The Town of Big Stone Gap's total debt decreased by \$289,106 during the fiscal year. The total debt outstanding as of June 30, 2019 was \$14,421,478.
- As of June 30, 2019, the Town's Legal Debt Margin was \$18,420,177.
- The Water/Sewer Proprietary Fund had a increase in Net Position for the year of \$1,159,907.

### **Overview of Financial Statements**

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

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

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

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

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

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

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

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

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

# Government – Wide Financial Analysis

## Summary of Statement of Net position – June 30, 2019

	Governmental Activities	Business Type Activities	Total
Current & other assets	\$ 3,444,111	\$ 2,524,496	\$ 5,968,607
Capital assets	9,507,620	26,922,807	36,430,427
Other noncurrent assets	-	-	-
Deferred Outflows	294,364	107,518	401,882
<b>Total Assets</b>	<b>\$ 13,246,095</b>	<b>\$ 29,554,821</b>	<b>\$ 42,800,916</b>
Current & other liabilities	\$ 555,737	\$ 352,258	\$ 907,995
Long-term liabilities	3,748,724	14,773,383	18,522,107
Deferred Inflows	111,546	32,664	144,210
<b>Total Liabilities</b>	<b>\$ 4,416,007</b>	<b>\$ 15,158,305</b>	<b>\$ 19,574,312</b>
Net Position:			
Invested in Capital assets (Net of related debt)	8,618,203	13,390,746	22,008,949
Restricted	413,224	-	413,224
Unrestricted	(201,339)	1,006,150	804,811
<b>Total Net Position</b>	<b>\$ 8,830,088</b>	<b>\$ 14,396,896</b>	<b>\$ 23,226,984</b>

Net position serves as a useful indicator of a government's financial position. The Town's combined net position totals \$23,226,984. 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 \$22,008,949. 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. Fund balance includes \$1,397,238 non- spendable, \$423,465 restricted, \$247,231 committed, \$94,212 assigned, and \$581,000 unassigned funds which may be used to meet the Town's ongoing obligations to citizens and creditors.

Governmental Activities – Governmental activities decreased the Town's net position by \$465,227. Key elements of this increase are as follows:

### Governmental Activities Year Ended June 30, 2019

#### Revenues:

##### Program Revenues:

Charges for Services	\$ 533,541
Operating Grants and Contributions	1,298,798
Capital Grants and Contributions	907,557

##### General Revenues:

Property Taxes	1,010,818
Other Local Taxes	1,774,867
Unrestricted Intergovernmental Revenue	139,469
Unrestricted Investment Earnings	5,494
Other	306,155
<b>Total Revenues</b>	<b>\$ 5,976,699</b>

#### Expenses:

General Government	\$ 592,780
Public Safety	1,134,920
Public Works	1,454,319
Health and Welfare	34,134
Parks, Recreation, Culture	944,697
Community Development	911,900
Interest on Long Term Debt	36,476
<b>Total Expenses</b>	<b>\$ 5,109,226</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 867,473</b>

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:

	2019	2018
General Property Taxes	\$ 1,014,278	\$ 1,040,465
Other Local Taxes	1,774,867	1,675,849
Permits, Privilege Fees and Regulatory Licenses	3,335	3,499
Fines and Forfeitures	27,417	33,414
Revenue From Use of Money and Property	31,193	82,886
Charges for Services	533,541	489,360
Miscellaneous	67,603	74,123
Recovered Costs	155,712	395,328
Inter-Governmental	2,345,824	2,050,562

The Town's assessed value of real estate for the year was \$184,201,766. The real estate tax rate is \$0.44 per \$ 100 of assessed value. For the year, the percent of levy collected was 88.60%

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 \$529,334. Cash and cash equivalents increased by \$246,342 to \$3,438,259.

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

	Final Budget	Actual	Favorable (Unfav.) Variance
Total Revenues	\$ 6,053,765	\$ 5,953,770	\$ (99,995)
Total Expenses	(6,763,463)	(6,455,626)	307,837
Total Other Financing	709,698	103,509	(606,189)
Excess of Revenues over Expenses	\$ -	\$ (398,347)	\$ (398,347)

Additional information may be obtained by contacting the Town Manager, Mr. Stephen Lawson, or the Town Clerk/Treasurer, Mrs. Amanda Hawkins, at the Town of Big Stone Gap offices 276-523-0115.

## Independent Auditors' 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, 2019, 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 opinions 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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

### *Other Information*

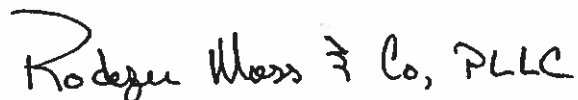
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The statistical section and compliance section information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019 on our consideration of the Town of Big Stone Gap's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Town of Big Stone Gap's 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.

Handwritten signature of Roderick Moss in black ink.

Norton, Virginia  
December 5, 2019

**TOWN OF BIG STONE GAP, VIRGINIA**  
**STATEMENT OF NET POSITION**  
June 30, 2019

EXHIBIT 1

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 957,130	\$ 2,716,751	\$ 3,673,881
Receivables:			
Taxes	151,330	-	151,330
Accounts	28,104	375,759	403,863
Other	100,545	-	100,545
Prepaid expenses	38,347	17,249	55,596
Due from other governmental units	351,684	52,500	404,184
Internal Balances	1,358,891	(1,358,891)	-
Restricted Assets:			
Cash	458,080	721,508	1,179,588
Capital assets, depreciable, net	6,886,727	25,557,487	32,444,214
Capital assets, non-depreciable	2,620,893	1,365,320	3,986,213
 Total Assets	 12,951,731	 29,447,683	 42,399,414
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred Outflows related to OPEB	60,469	-	60,469
Deferred Outflows related to Pensions	233,895	107,518	341,413
Total Deferred Outflows of Resources	294,364	107,518	401,882
 <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	 <b>\$ 13,246,095</b>	 <b>\$ 29,555,201</b>	 <b>\$ 42,801,296</b>
<b><u>LIABILITIES</u></b>			
Accounts payable	110,828	37,609	148,437
Accrued liabilities and wages	96,935	34,279	131,214
Payable From Restricted Assets:			
Deposits	-	145,405	145,405
Drug task force reserve	340,770	-	340,770
Matured revenue interest	7,204	134,965	142,169
Long-term liabilities:			
Net pension liability	1,861,755	874,415	2,736,170
OPEB liability	769,180	243,845	1,013,025
Due within one year	136,012	648,004	784,016
Due in more than one year	753,405	12,884,057	13,637,462
Compensated absences:			
Due within one year	85,620	41,233	126,853
Due in more than one year	142,752	81,829	224,581
 Total Liabilities	 4,304,461	 15,125,641	 19,430,102
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred Inflows related to OPEB	42,000	-	42,000
Deferred Inflows related to Pensions	69,546	32,664	102,210
Total Deferred Inflows of Resources	111,546	32,664	144,210
<b><u>NET POSITION</u></b>			
Net investment in capital assets	8,618,203	13,390,746	22,008,949
Restricted	413,224	-	413,224
Unrestricted	(201,339)	1,006,150	804,811
 Total Net Position	 8,830,088	 14,396,896	 23,226,984
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	 <b>\$ 13,246,095</b>	 <b>\$ 29,555,201</b>	 <b>\$ 42,801,296</b>

**TOWN OF BIG STONE GAP, VIRGINIA**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2019

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
<b>Governmental Activities:</b>							
General government	\$ 592,780	\$ -	\$ -	\$ -	\$ (592,780)	\$ -	\$ (592,780)
Public safety	1,134,920	77,833	312,425	50,000	(694,662)	-	(694,662)
Public works	1,454,319	309,087	917,694	-	(227,538)	-	(227,538)
Health and welfare	34,134	-	-	-	(34,134)	-	(34,134)
Parks, recreation, and cultural	944,697	146,621	7,440	-	(790,636)	-	(790,636)
Community development	911,900	-	61,239	857,557	6,896	-	6,896
Interest on long-term debt	36,476	-	-	-	(36,476)	-	(36,476)
Non-departmental	-	-	-	-	-	-	-
Total Governmental Activities	5,109,227	533,541	1,298,798	907,557	(2,369,331)	-	(2,369,331)
<b>Business-Type Activities:</b>							
Water	2,028,832	2,588,762	-	497,751	-	1,057,681	1,057,681
Wastewater	1,484,313	1,571,259	-	-	-	86,946	86,946
Total Business-Type Activities	3,513,145	4,160,021	-	497,751	-	1,144,627	1,144,627
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 8,622,372</b>	<b>\$ 4,693,562</b>	<b>\$ 1,298,798</b>	<b>\$ 1,405,308</b>	<b>\$ (2,369,331)</b>	<b>\$ 1,144,627</b>	<b>\$ (1,224,704)</b>
<b>General Revenues:</b>							
Property taxes					1,010,818	-	1,010,818
Local sales & use tax					201,422	-	201,422
Utility tax					113,187	-	113,187
Business license tax					293,453	-	293,453
Communication taxes					162,198	-	162,198
Motor vehicle license					65,634	-	65,634
Bank stock tax					95,600	-	95,600
Cigarette tax					50,888	-	50,888
Hotel and motel room tax					4,789	-	4,789
Restaurant food tax					749,410	-	749,410
Coal road improvement tax					38,286	-	38,286
Unrestricted intergovernmental revenue					139,469	-	139,469
Unrestricted investment earnings					5,494	15,280	20,774
Rental of Town property					21,678	-	21,678
Gain on sale of capital assets					3,559	-	3,559
Recovered costs					155,712	-	155,712
Other					125,206	-	125,206
Total general revenues and transfers					3,236,803	15,280	3,252,083
Change in net position					867,473	1,159,907	2,027,380
<b>NET POSITION - JULY 1</b>					7,962,615	13,236,989	21,199,604
<b>NET POSITION - JUNE 30</b>					<b>\$ 8,830,088</b>	<b>\$ 14,396,896</b>	<b>\$ 23,226,984</b>

The accompanying notes are an integral part of the financial statements

**TOWN OF BIG STONE GAP, VIRGINIA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2019

EXHIBIT 3

	<u>General Fund</u>	<u>Total</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 957,130	\$ 957,130
Receivables:		
Taxes	151,330	151,330
Accounts	28,104	28,104
Other	72,287	72,287
Prepaid expenses	38,347	38,347
Due from other funds	1,358,891	1,358,891
Due from other governmental units	351,684	351,684
Restricted Assets:		
Cash	458,080	458,080
Total Assets	<u>\$ 3,415,853</u>	<u>\$ 3,415,853</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 110,828	\$ 110,828
Accrued payroll and related liabilities	79,464	79,464
Payable From Restricted Assets:		
Drug task force reserve	340,770	340,770
Due to other funds	-	-
Total Liabilities	<u>531,062</u>	<u>531,062</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred property taxes	141,645	141,645
Total Deferred Inflows of Resources	<u>141,645</u>	<u>141,645</u>
<b>FUND BALANCES:</b>		
Nonspendable	1,397,238	1,397,238
Restricted	423,465	423,465
Committed	247,231	247,231
Assigned	94,212	94,212
Unassigned	581,000	581,000
Total Fund Balances	<u>2,743,146</u>	<u>2,743,146</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>\$ 3,415,853</u>	<u>\$ 3,415,853</u>

TOWN OF BIG STONE GAP, VIRGINIA  
RECONCILIATION TO THE BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
Year Ended June 30, 2019

EXHIBIT 4

**Total Fund Balances per Exhibit 3-Balance Sheet-Governmental Funds** **\$ 2,743,146**

**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. 9,507,620

Other long-term assets are not available to pay for current-period  
expenditures and, therefore, are deferred in the funds. 169,903

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 (889,417)  
Accrued liabilities and wages (17,471)  
Accrued interest payable (7,204)  
Capital leases payable -  
Compensated Absences (228,372)

Financial statement elements related to other postemployment benefits are  
applicable to future periods and, therefore, are not reported in the funds.  
Deferred outflows of resources for 2018 employer contributions 8,469  
Deferred outflows of resources related to other postemployment benefits 52,000  
Deferred inflows of resources related to other postemployment benefits (42,000)  
Net other postemployment benefit liability (769,180)

Financial statement elements related to pensions are applicable to  
future periods, and therefore, are not reported in the funds.  
Deferred outflows of resources for 2018 employer contributions 215,029  
Deferred outflows of resources related to pensions 18,866  
Deferred inflows of resources related to pensions (69,546)  
Net pension liability (1,861,755)

**Net Position of Governmental Activities** **\$ 8,830,088**

**TOWN OF BIG STONE GAP, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2019**

EXHIBIT 5

	<u>General Fund</u>	<u>TOTAL</u>
<b>REVENUES:</b>		
General property taxes	\$ 1,014,278	\$ 1,014,278
Other local taxes	1,774,867	1,774,867
Permits, privilege fees and regulatory licenses	3,335	3,335
Fines and forfeitures	27,417	27,417
Revenue from use of money and property	31,193	31,193
Charges for services	533,541	533,541
Miscellaneous	67,603	67,603
Recovered costs	155,712	155,712
Intergovernmental	2,345,824	2,345,824
Total Revenues	<u>5,953,770</u>	<u>5,953,770</u>
<b>EXPENDITURES:</b>		
<b>Current:</b>		
General government administration	917,452	917,452
Public safety	1,489,553	1,489,553
Public works	1,724,950	1,724,950
Health and welfare	34,134	34,134
Parks, recreation and cultural	1,216,230	1,216,230
Community development	911,900	911,900
<b>Debt Service:</b>		
Principle retirement	125,036	125,036
Interest	36,371	36,371
Total Expenditures	<u>6,455,626</u>	<u>6,455,626</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(501,856)</u>	<u>(501,856)</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Sale of property	3,559	3,559
Insurance recoveries	26,850	26,850
Loan proceeds	73,100	73,100
Transfers in (out)	-	-
Total Other Financing Sources ( Uses )	<u>103,509</u>	<u>103,509</u>
 Net Change in Fund Balance	 (398,347)	 (398,347)
<b>FUND BALANCE AT JULY 1</b>	<u>3,141,493</u>	<u>3,141,493</u>
<b>FUND BALANCE AT JUNE 30</b>	<u><u>\$ 2,743,146</u></u>	<u><u>\$ 2,743,146</u></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, 2019

EXHIBIT 6

	<u>General Fund</u>
<b>Net Change in Fund Balance Governmental Fund:</b>	<b>\$ (398,347)</b>
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	431,820
Depreciation expense	<u>(514,439)</u>
	<u>(82,619)</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(7,481)
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	125,036
Capital lease	-
Proceeds from debt	(73,100)
Proceeds from capital lease	<u>-</u>
	<u>51,936</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	(105)
Compensated absences	(24,450)
Other post-employment benefits	<u>1,292,674</u>
	<u>1,268,120</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	215,029
Pension expense	<u>(179,165)</u>
	<u>35,864</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>867,473</u></b>

**TOWN OF BIG STONE GAP, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2019

EXHIBIT 7

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>TOTAL</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 884,161	\$ 1,832,590	\$ 2,716,751
Receivables (Net of Allowance for Uncollectibles):			
Accounts	241,698	134,061	375,759
Accrued interest	-	-	-
Due from other funds	-	1,556,435	1,556,435
Due from other governmental units	52,500	-	52,500
Prepaid expenses	8,035	9,214	17,249
<b>Restricted Assets:</b>			
Cash	721,508	-	721,508
Land	810,000	70,000	880,000
Capital assets, net	<u>16,869,464</u>	<u>9,173,343</u>	<u>26,042,807</u>
<b>Total Assets</b>	<u>19,587,366</u>	<u>12,775,643</u>	<u>32,363,009</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred Outflows related to Pensions	67,478	40,040	107,518
<b>Total Deferred Outflows of Resources</b>	<u>67,478</u>	<u>40,040</u>	<u>107,518</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 19,654,844</u></u>	<u><u>\$ 12,815,683</u></u>	<u><u>\$ 32,470,527</u></u>
<b><u>LIABILITIES</u></b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 26,023	\$ 11,586	\$ 37,609
Accrued wages and liabilities	24,018	10,261	34,279
<b>Payable From Restricted Assets:</b>			
Customer deposits	145,405	-	145,405
Due to other funds	2,621,475	293,851	2,915,326
Accrued interest payable	111,349	23,616	134,965
Bonds and notes payable	351,898	296,106	648,004
Compensated absences	31,922	9,311	41,233
<b>Total Current Liabilities</b>	<u>3,312,090</u>	<u>644,731</u>	<u>3,956,821</u>
<b>Noncurrent liabilities:</b>			
Bonds and notes payable	9,033,687	3,850,370	12,884,057
OPEB liability	156,843	87,002	243,845
Compensated absences	63,896	17,933	81,829
Net pension liability	562,431	311,984	874,415
<b>Total Noncurrent Liabilities</b>	<u>9,816,857</u>	<u>4,267,289</u>	<u>14,084,146</u>
<b>Total Liabilities</b>	<u>13,128,947</u>	<u>4,912,020</u>	<u>18,040,967</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred Inflows related to Pensions	21,010	11,654	32,664
<b>Total Deferred Inflows of Resources</b>	<u>21,010</u>	<u>11,654</u>	<u>32,664</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	8,293,879	5,096,867	13,390,746
Restricted	-	-	-
Unrestricted	<u>(1,788,992)</u>	<u>2,795,142</u>	<u>1,006,150</u>
<b>Total Net Position</b>	<u>6,504,887</u>	<u>7,892,009</u>	<u>14,396,896</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u><u>\$ 19,654,844</u></u>	<u><u>\$ 12,815,683</u></u>	<u><u>\$ 32,470,527</u></u>



**TOWN OF BIG STONE GAP, VIRGINIA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**Year Ended June 30, 2019**

EXHIBIT 8

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>TOTAL</u>
<b>OPERATING REVENUES:</b>			
Water usage fees	\$ 2,581,664	-	\$ 2,581,664
Sewer usage fees	-	1,569,754	1,569,754
Sale of labor and materials	549	-	549
Water and sewer tap fees	5,255	1,505	6,760
Miscellaneous	1,294	-	1,294
 Total Operating Revenues	 <u>2,588,762</u>	 <u>1,571,259</u>	 <u>4,160,021</u>
 <b>OPERATING EXPENSES:</b>			
Personal services	572,175	333,694	905,869
Fringe benefits	(233,738)	9,205	(224,533)
Contractual services	67,956	65,110	133,066
Other charges	731,179	385,576	1,116,755
Depreciation	639,815	636,632	1,276,447
 Total Operating Expenses	 <u>1,777,387</u>	 <u>1,430,217</u>	 <u>3,207,604</u>
 Operating Income (Loss)	 <u>811,375</u>	 <u>141,042</u>	 <u>952,417</u>
 <b>NON-OPERATING REVENUES (EXPENSES) :</b>			
Grant revenue	476,780	-	476,780
Interconnect revenue	20,971	-	20,971
Interest income	7,983	7,297	15,280
Interest expense	(251,445)	(54,096)	(305,541)
 Total Non-Operating Revenue (Expenses)	 <u>254,289</u>	 <u>(46,799)</u>	 <u>207,490</u>
 <b>CHANGE IN NET POSITION</b>	 <u>1,065,664</u>	 <u>94,243</u>	 <u>1,159,907</u>
 <b>NET POSITION AT JULY 1</b>	 <u>5,439,223</u>	 <u>7,797,766</u>	 <u>13,236,989</u>
 <b>NET POSITION AT JUNE 30</b>	 <u>\$ 6,504,887</u>	 <u>7,892,009</u>	 <u>\$ 14,396,896</u>

**TOWN OF BIG STONE GAP, VIRGINIA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
Year Ended June 30, 2019

EXHIBIT 9

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>TOTAL</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 2,567,415	1,551,648	\$ 4,119,063
Cash payments to suppliers for goods and services	(862,154)	(505,278)	(1,367,432)
Cash payments to employees for services	(796,132)	(520,998)	(1,317,130)
Other operating income	7,098	1,505	8,603
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>916,227</u>	<u>526,877</u>	<u>1,443,104</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Increase ( decrease ) in customer deposits	5,605	-	5,605
(Increase) decrease in due from other funds/governments	(33,467)	-	(33,467)
Increase (decrease) in due to other funds	(175,000)	25,000	(150,000)
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>(202,862)</u>	<u>25,000</u>	<u>(177,862)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
(Increase) decrease in capital assets	(626,734)	(80,802)	(707,536)
(Increase) decrease in construction in progress	(280,200)	-	(280,200)
Principle paid on revenue bond maturities and equipment contracts	(340,911)	(293,960)	(634,871)
Principle advances from bond and note proceeds	323,923	77,400	401,323
Contributed capital and Grant revenue	497,751	-	497,751
Interest paid on revenue bonds and equipment contracts	(256,319)	(54,328)	(310,647)
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(682,490)</u>	<u>(351,690)</u>	<u>(1,034,180)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends on investments	7,983	7,297	15,280
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>7,983</u>	<u>7,297</u>	<u>15,280</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>38,858</u>	<u>207,484</u>	<u>246,342</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,566,811</u>	<u>1,625,106</u>	<u>3,191,917</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 1,605,669</u>	<u>1,832,590</u>	<u>\$ 3,438,259</u>
<b>Displayed as:</b>			
Cash and Cash Equivalents-Unrestricted	\$ 884,161	1,832,590	\$ 2,716,751
Restricted Cash	721,508	-	721,508
	<u>\$ 1,605,669</u>	<u>1,832,590</u>	<u>\$ 3,438,259</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 811,375	141,042	\$ 952,417
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>			
Depreciation	639,815	636,632	1,276,447
Provision for compensated absences	(10,814)	(7,972)	(18,786)
Pension expense net of employer contributions	(38,683)	22,588	(16,095)
Other Post Employment Benefits	(409,639)	(204,822)	(614,461)
<b>Change in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:</b>			
(Increase) decrease in accounts receivable	(14,249)	(18,106)	(32,355)
(Increase) decrease in prepaid expenses	(8,035)	(9,214)	(17,249)
Increase (decrease) in accounts payable	(54,984)	(29,294)	(84,278)
Increase (decrease) in wages payable	1,441	(3,977)	(2,536)
<b>TOTAL ADJUSTMENTS</b>	<u>104,852</u>	<u>385,835</u>	<u>490,687</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 916,227</u>	<u>526,877</u>	<u>\$ 1,443,104</u>

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

The accompanying notes are an integral part of the financial statements

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**June 30, 2019**

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**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.

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**June 30, 2019**

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**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. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Funds are charges to customers for sales and services. The Water and Sewer Funds also recognize operating revenue for the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 Special Revenue and the Proprietary Funds. Therefore, the Special Revenue and Proprietary Funds are not included in the budget and actual comparisons.

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

Encumbrances and Commitments

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

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**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, 2019.

**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 Debt**

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.

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**June 30, 2019**

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**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**

Fund balance is divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds. 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.

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**June 30, 2019**

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**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.

**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

**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 and other postemployment benefit (OPEB) contributions made after the net pension liability and net OPEB liability measurement date of June 30, 2018 and prior to the reporting date of June 30, 2019, have been reported as deferred outflows of resources in the Statement of Net Position as of June 30, 2019. This will be applied to the net pension and OPEB liabilities in the next fiscal year.

Differences between the projected and actual pension earnings and OPEB earnings as of the actuarial measurement date of June 30, 2018 have been reported as a deferred outflow of resources. This difference will be recognized in pension expense and OPEB expense over a closed five-year period.

The Town additionally reports unavailable/unearned revenue from property taxes and other receivables not collected within 45 days 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 yet complete. These amounts are deferred and recognized as an inflow of resources in the period they become available.

**Pensions**

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. 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.

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

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

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

**Other Postemployment Benefits (OPEB)**

**Local Health**

The Town's local health insurance OPEB plan is a single employer defined benefit OPEB plan administered by the Town. No assets are accumulated in a trust that meets the criteria under the provisions of Governmental Accounting Standards Board (GASB) Statement 75.

**Line of Duty Act Program**

The VRS Line of Duty Act Program (LODA) is a multiple employer, cost sharing plan. The LODA Program was established pursuant to §9.1-400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members.

For purposes of measuring the LODA Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the LODA Programs OPEB, and LODA Programs OPEB expense, information about the fiduciary net position of the VRS LODA programs OPEB and the additions to/deductions from VRS LODA Programs OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Date of Management Review** - Management has evaluated events and transactions occurring subsequent to the statement of net position date for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through the date of the report, which is the date these financial statements were available to be issued.

**2. RECEIVABLES**

Receivables at June 30 are as follows:

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>
Receivables		
Taxes	\$ 270,257	\$ -
Accounts	43,464	581,116
Other	72,287	-
Gross Receivables	<u>386,008</u>	<u>581,116</u>
Less:		
Allowance for uncollectibles	<u>(134,287)</u>	<u>(205,357)</u>
Net total receivables	<u>\$ 251,721</u>	<u>\$ 375,759</u>



**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**2. RECEIVABLES (Continued)**

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$339,644 at June 30, 2019, and is composed of the following:

General Fund:		
Allowance for uncollectible property taxes	\$	118,928
Allowance for uncollectible garbage fees		15,359
Total General Fund	\$	134,287
Water and Sewer Fund:		
Allowance for uncollectible water fee billings	\$	132,091
Allowance for uncollectible sewer fee billings		73,266
Total Water and Sewer Fund	\$	205,357

**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 state statutes, the current investment policy of the Town authorizes investments in obligations of the United States and agencies thereof, commercial paper, repurchase agreements which are collateralized with securities that are approved for direct investment, the Virginia State Non-Arbitrage Program (SNAP) or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (LGIP). Both SNAP and LGIP are not registered with the SEC but are overseen by the Treasurer of Virginia and the State Treasury Board. The fair value of the Town's position in the pools is the same as the value of the pool shares.

**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, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**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, 2019, 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	\$ 600
Deposits	2,453,110
Investments	2,399,759
	<u>\$ 4,853,469</u>

Statement of net position:

Cash and cash equivalents	\$ 3,673,881
Investments	-
Restricted cash and cash equivalents	1,179,588
	<u>\$ 4,853,469</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.

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**5. DUE FROM OTHER GOVERNMENTAL UNITS**

Commonwealth of Virginia:

Local sales tax	\$ 52,131	
ARC grant	125,857	
DMV grant	4,614	
DOJ grant	3,946	
Communication tax	25,888	
Auto rental tax	577	
RD grant	1,110	
CDBG grant	125,897	
Total Commonwealth of Virginia		\$ 340,020

Wise County:

Coal severance taxes	10,233	
Court fines/transfer fees	1,431	
Total Wise County		11,664

Total Due From Other Governmental Units \$ 351,684

**6. INTERFUND OBLIGATIONS**

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Water Fund	\$ 1,065,040	
Sewer Fund	293,851	
Water Fund:		
General Fund		1,065,040
Sewer Fund		1,556,435
Sewer Fund:		
General Fund		293,851
Water Fund	1,556,435	
Totals	<u>\$ 2,915,326</u>	<u>\$ 2,915,326</u>

**7. CAPITAL ASSETS**

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

Governmental activities:

General government	\$ 63,509
Public safety	167,308
Public works	105,213
Parks, recreation and cultural	178,409
Total depreciation expense - governmental activities	<u>\$ 514,439</u>

Business-type activities:

Water and sewer	\$ 1,276,447
Total depreciation expense - business-type activities	<u>\$ 1,276,447</u>

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**8. CHANGES IN CAPITAL ASSETS**

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

<b>Governmental Activities</b>	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>
<b>Capital assets, depreciable</b>				
Buildings and improvements	\$ 3,830,528	\$ -	\$ -	\$ 3,830,528
Infrastructure	7,891,622	227,971	-	8,119,593
Equipment	3,975,287	136,899	(55,870)	4,056,316
Total Capital Assets, Depreciable	<u>\$ 15,697,437</u>	<u>\$ 364,870</u>	<u>\$ (55,870)</u>	<u>\$ 16,006,437</u>
<b>Less accumulated depreciation for</b>				
Buildings and improvements	\$ 1,961,973	\$ 94,298	\$ -	\$ 2,056,271
Infrastructure	4,138,033	151,514	-	4,289,547
Equipment	2,561,135	268,627	(55,870)	2,773,892
Total accumulated depreciation	<u>8,661,141</u>	<u>514,439</u>	<u>(55,870)</u>	<u>9,119,710</u>
Total Capital Assets, depreciable, net	<u>\$ 7,036,296</u>	<u>\$ (149,569)</u>	<u>\$ -</u>	<u>\$ 6,886,727</u>
<b>Capital assets, non-depreciable</b>				
Land	\$ 2,531,761	\$ 89,132	\$ -	\$ 2,620,893
Construction in progress	22,182	-	(22,182)	-
Total Capital Assets, Non-depreciable	<u>\$ 2,553,943</u>	<u>\$ 89,132</u>	<u>\$ (22,182)</u>	<u>\$ 2,620,893</u>
<b>Business-Type Activities</b>	<b>Ending Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Capital assets, depreciable</b>				
Buildings and improvements	\$ 337,615	\$ -	\$ -	\$ 337,615
Improvements	48,272,385	626,733	-	48,899,118
Equipment	1,752,596	80,802	(60,846)	1,772,552
Total Capital Assets, Depreciable	<u>\$ 50,362,596</u>	<u>\$ 707,535</u>	<u>\$ (60,846)</u>	<u>\$ 51,009,285</u>
<b>Less accumulated depreciation for</b>				
Buildings and improvements	\$ 225,724	\$ 3,653	\$ -	\$ 229,377
Improvements	22,722,032	1,183,036	-	23,905,068
Equipment	1,288,441	89,758	(60,846)	1,317,353
Total accumulated depreciation	<u>24,236,197</u>	<u>1,276,447</u>	<u>(60,846)</u>	<u>25,451,798</u>
Total Capital Assets, depreciable, net	<u>\$ 26,126,399</u>	<u>\$ (568,912)</u>	<u>\$ -</u>	<u>\$ 25,557,487</u>
<b>Capital assets, non-depreciable</b>				
Land	\$ 880,000	\$ -	\$ -	\$ 880,000
Construction in progress	205,120	309,815	(29,615)	485,320
Total Capital Assets, Non-depreciable	<u>\$ 1,085,120</u>	<u>\$ 309,815</u>	<u>\$ (29,615)</u>	<u>\$ 1,365,320</u>

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**9. LONG-TERM DEBT**

The annual requirements to amortize governmental debt outstanding as of June 30, 2019, are as follows:

Year Ending June 30,	Governmental Activities	
	Notes	
	Principal	Interest
2020	\$ 136,012	\$ 34,723
2021	121,150	30,223
2022	78,762	26,471
2023	64,352	23,049
2024	58,910	20,449
2025-2029	257,613	68,963
2030-2032	172,618	13,948
Totals	<u>\$ 889,417</u>	<u>\$ 217,826</u>

The annual requirements to amortize proprietary debt outstanding as of June 30, 2019, are as follows:

Years Ending June 30,	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 211,975	\$ 19,651	\$ 139,923	\$ 250,399
2021	77,073	17,181	298,129	247,264
2022	49,036	16,411	343,129	238,623
2023	49,515	15,932	352,129	228,068
2024	50,007	15,440	363,129	217,157
2025-2029	257,871	69,357	2,104,646	905,250
2030-2034	272,253	54,776	2,560,646	541,589
2035-2039	288,641	38,560	1,736,194	118,710
2040-2044	147,317	19,858	-	-
2044-2048	72,287	5,152	-	-
2050-2054	11,685	219	-	-
Totals	<u>\$1,487,660</u>	<u>\$ 272,537</u>	<u>\$7,897,925</u>	<u>\$2,747,060</u>

Years Ending June 30,	Total Water Fund Debt	
	Principal	Interest
2020	\$ 351,898	\$ 270,050
2021	375,202	264,445
2022	392,165	255,034
2023	401,644	244,000
2024	413,136	232,597
2025-2029	2,362,517	974,607
2030-2034	2,832,899	596,365
2035-2039	2,024,835	157,270
2040-2044	147,317	19,858
2044-2048	72,287	5,152
2050-2054	11,685	219
Totals	<u>\$9,385,585</u>	<u>\$3,019,597</u>

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

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

Years Ending June 30,	General Obligation Bonds		Revenue Bonds		Capital Lease	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 243,769	\$ 541	\$ 39,342	\$ 49,778	\$ 12,995	\$ 3,210
2021	212,217	69	39,342	49,778	15,231	2,446
2022	205,721	-	39,342	49,778	16,066	1,610
2023	205,721	-	39,342	49,778	16,947	730
2024	205,721	-	39,342	247,573	4,382	38
2025-2029	1,028,607	-	79,013	226,582	-	-
2030-2034	210,376	-	809,000	74,979	-	-
2035-2039	-	-	684,000	-	-	-
2040-2044	-	-	-	-	-	-
2044-2048	-	-	-	-	-	-
2050-2054	-	-	-	-	-	-
Totals	<u>\$2,312,132</u>	<u>\$ 610</u>	<u>\$1,768,723</u>	<u>\$ 748,246</u>	<u>\$ 65,621</u>	<u>\$ 8,034</u>

Years Ending June 30,	Total Sewer Fund Debt	
	Principal	Interest
2020	\$ 296,106	\$ 53,529
2021	266,790	52,293
2022	261,129	51,388
2023	262,010	50,508
2024	249,445	247,611
2025-2029	1,107,620	226,582
2030-2034	1,019,376	74,979
2035-2039	684,000	-
2040-2044	-	-
2044-2048	-	-
2050-2054	-	-
Totals	<u>\$4,146,476</u>	<u>\$ 756,890</u>

**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, 2019:

	INSTALLMENT NOTE	GENERAL OBLIGATION & REVENUE BONDS		TOTAL
	Governmental Notes	Water Bond	Sewer Bond	
Bonds/loans payable at July 1, 2018	\$ 941,354	\$ 9,402,573	\$ 4,363,036	\$ 14,706,963
Issuances	73,100	323,923	77,400	474,423
Retirements	(125,037)	(340,911)	(293,960)	(759,908)
Bonds/loans payable at June 30, 2019	<u>\$ 889,417</u>	<u>\$ 9,385,585</u>	<u>\$ 4,146,476</u>	<u>\$ 14,421,478</u>

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**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, 2019:

	Compensated Absences	
	Governmental	Business-Type
Payable at July 1, 2018	\$ 205,659	\$ 141,848
Additions	103,114	58,432
Reductions	(80,401)	(77,218)
Payable at June 30, 2019	<u>\$ 228,372</u>	<u>\$ 123,062</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 due on March 1, 2032.	\$ 130,366
\$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.	24,287
\$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.	42,930
\$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, 2018, and continuing annually thereafter for a period of four years.	29,220
\$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 \$2,335.51 commencing July 27, 2016, and continuing monthly thereafter for a period of four years.	54,317
\$80,000 governmental fund note payable issued August 29, 2016, to Powell Valley National Bank with interest of 2.85% for the acquisition of a garbage truck. Annual payments of \$17,464.40 commencing September 29, 2018, and continuing annually for a period of four years.	49,391
\$550,000 governmental fund note payable issued April 16, 2018, to Powell Valley National Bank with interest of 3.5% for the acquisition of a fire truck. Annual payments of \$47,931.18 commencing April 17, 2019, and continuing annually for a period of fifteen years.	492,301

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

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

Details of Long-Term Indebtedness (Continued)

**Governmental Fund (Continued):**

**Bonds Payable (Continued):**

\$31,600 governmental fund note payable issued September 20, 2018, to Rural Development with interest of 3.875% for the acquisition of an excavator and trailer. Sixty monthly payments of \$581 commencing February 2019. 29,125

\$41,500 governmental fund note payable issued August 8, 2018, to Rural Development with interest of 3.875% for the acquisition of a dump truck. Sixty monthly payments of \$763 commencing January 2019. 37,480

**TOTAL GOVERNMENTAL FUND LONG-TERM DEBT** **\$ 889,417**

**Enterprise Fund:**

**General Obligation Bonds:**

Water

Sewer

\$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. \$ 195,456 \$ 44,544

\$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- 55,909

\$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. 598,117 -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- 2,211,679

\$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. 316,369 -0-

**Revenue Bonds:**

\$75,000 water revenue bonds issued March 14, 2018, \$74,999.94 disbursed as of June 30, 2019 to Virginia Resource Authority, with interest at 2.5% payable in installments of \$1,804.62 beginning May 1, 2019 and continuing semi-annually on May 1 and November 1 thereafter for a period of 30 years until paid. 72,828 -0-



**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

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

Details of Long-Term Indebtedness

<b>Enterprise Fund:</b>	<u>Water</u>	<u>Sewer</u>
Water revenue bonds issued December 19, 2016, \$304,890.57 disbursed as of June 30, 2019 to Rural Development, with interest at 1.875% paid in semiannual installments.	304,890	-0-
\$3,432,000 water revenue bond issued in 2018 to Powell Valley National Bank with interest at 3.2%. Final payment is due 2037.	3,379,000	-0-
\$1,293,000 water revenue bond issued in 2018 to Powell Valley National Bank with interest at 3.15%. Final payment is due 2037.	1,214,000	-0-
\$4,224,000 water revenue bond issued in 2018 to Powell Valley National Bank with interest at 3.29%. Final payment is due 2037.	2,664,000	1,513,000
\$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.	629,131	-0-
\$860,000 sewer revenue bond issued December 17, 2005 to Virginia Water Facilities Revolving Fund with no interest. Principle payments of \$21,500 payable March 1, 2006, and semi-annually on September 1 and March 1 thereafter for a period of 20 years until paid.	-0-	255,723
\$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.	11,794	-0-
<b>Capital Leases:</b>		
\$77,400 capital lease for backhoe loaders with Carter Machinery. Sixty monthly payments of \$1,473.06 from September 25, 2018.	-0-	65,621
<b>TOTAL ENTERPRISE FUNDS LONG-TERM DEBT</b>	<b><u>\$ 9,385,585</u></b>	<b><u>\$4,146,476</u></b>

The Town's outstanding bonds, and notes payable for the General Fund are considered general obligation debt and, as such have no collateral obligations related to the debt. The outstanding general obligation bonds related to the business-type activities are considered first to be repaid with the revenues from either the Water or Sewer Fund, depending on the origination fund of the debt, and then if those revenues fail to be sufficient to meet the obligation, the debt becomes general obligation debt to be repaid from the tax revenues of the General Fund. The outstanding revenues bonds of the Water and Sewer Fund are to be repaid with revenues from the originating fund of obligation and as such have no collateral obligations related to the debt.

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**10. FUND BALANCES—GOVERNMENTAL FUNDS**

As of June 30, 2019, fund balances are composed of the following:

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:		
Prepaid items	\$ 38,347	\$ 38,347
Due from internal funds	1,358,891	1,358,891
Restricted:		
Law Enforcement	363,906	363,906
Glencoe Cemetery	22,711	22,711
Community Development	36,848	36,848
Committed:		
Law Enforcement	29,531	29,531
Fire Department	63,300	63,300
Public Works	103,800	103,800
Parks and Recreation	50,600	50,600
Assigned:		
Law Enforcement	63,538	63,538
Fire Department	15,398	15,398
Public Works	7,130	7,130
Parks and Recreation	3,390	3,390
Cemeteries	4,756	4,756
Unassigned	<u>581,000</u>	<u>581,000</u>
Total fund balances	<u>\$ 2,743,146</u>	<u>\$ 2,743,146</u>

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, 2019**

**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) Beginning July 1, 2018, 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 thirty (30) 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 thirty (30) work days reflects a policy change from the prior maximum of ninety (90) work days. At the time of the policy change implementing the maximum leave, the Town agreed that leave in excess of the maximum would be banked and payable upon separation of employment as described above; however, those employees would not accrue additional hours above the new maximum limit.

The Town has outstanding accrued general leave pay totaling \$228,372 in the Governmental Activities, and \$123,062 in the Water and Sewer Funds.

**12. DEFINED BENEFIT PENSION PLAN**

**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 pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**12. Defined Benefit Pension Plan (Continued)**

<b>RETIREMENT PLAN PROVISIONS</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About Plan 1</b>  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.</p>	<p><b>About Plan 2</b>  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.</p>	<p><b>About the Hybrid Retirement Plan</b>  The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> <li>• 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.</li> </ul>
<p><b>Eligible Members</b>  Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013 and they have not taken a refund.</p> <p><b>Hybrid Opt-In Election</b>  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.  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</p>	<p><b>Eligible Members</b>  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><b>Hybrid Opt-In Election</b>  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.  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</p>	<p><b>Eligible Members</b>  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"> <li>• Political subdivision employees*</li> <li>• 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.</li> </ul> <p><b>*Non-Eligible Members</b>  Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members</p>

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**12. Defined Benefit Pension Plan (Continued)**

<p>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>have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>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><b>Retirement Contributions</b>          Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.. 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><b>Retirement Contributions</b>          Same as Plan 1.</p>	<p><b>Retirement Contributions</b>          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><b>Creditable Service</b>          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><b>Creditable Service</b>          Same as Plan 1.</p>	<p><b>Creditable Service</b>  <u><b>Defined Benefit Component:</b></u>          Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.  <u><b>Defined Contributions Component:</b></u>          Under the defined contributions component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**12. Defined Benefit Pension Plan (Continued)**

<p><b>Vesting</b>  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><b>Vesting</b>  Same as Plan 1.</p>	<p><b>Vesting</b>  <u><b>Defined Benefit Component:</b></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><b>Defined Contributions Component:</b></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 contributions 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"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b>  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</p>	<p><b>Calculating the Benefit</b>  See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b>  <u><b>Defined Benefit Component:</b></u>  See definition under Plan 1.  <u><b>Defined Contribution Component:</b></u>  The benefit is based on contributions made by the member and any matching contributions made by the</p>

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**12. Defined Benefit Pension Plan (Continued)**

available to a member at retirement.  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.		employer, plus net investment earnings on those contributions.
<b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
<b>Service Retirement Multiplier</b> <b>VRS:</b> 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%.  <b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%  <b>Political subdivision hazardous duty employees:</b> 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.	<b>Service Retirement Multiplier</b> <b>VRS:</b> 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.  <b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.  <b>Political subdivision hazardous duty employees:</b> Same as Plan 1.	<b>Service Retirement Multiplier</b> <b>Defined Benefit Component:</b> <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.  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.  <b>Sheriffs and regional jail superintendents:</b> Not applicable.  <b>Political subdivision hazardous duty employees:</b> Not applicable.  <b>Defined Contribution Component:</b> Not applicable.
<b>Normal Retirement Age</b> <b>VRS:</b> Age 65.  <b>Political subdivisions hazardous duty employees:</b> Age 60.	<b>Normal Retirement Age</b> <b>VRS:</b> Normal Social Security retirement age. <b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.	<b>Normal Retirement Age</b> <b>Defined Benefit Component:</b> <b>VRS:</b> Same as Plan 2. <b>Political subdivisions hazardous duty employees:</b> Not applicable.  <b>Defined Contribution Component:</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
<b>Earliest Unreduced Retirement Eligibility</b> <b>VRS:</b> Age 65 with at least five years	<b>Earliest Unreduced Retirement Eligibility</b> <b>VRS:</b> Normal Social Security	<b>Earliest Unreduced Retirement Eligibility</b> <b>Defined Benefit Component:</b>

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**12. Defined Benefit Pension Plan (Continued)**

<p>(60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p>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><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b> 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><b>Political subdivisions hazardous duty employees:</b> 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> <b>Defined Benefit Component:</b> VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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><b>Eligibility:</b> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><b>Eligibility:</b> Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <b>Defined Benefit Component:</b> Same as Plan 2.</p> <p><b>Defined Contribution Component:</b> Not applicable.</p> <p><b>Eligibility:</b> Same as Plan 1 and Plan 2.</p>



**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**12. Defined Benefit Pension Plan (Continued)**

<b><u>Exceptions to COLA Effective Dates:</u></b>	<b><u>Exceptions to COLA Effective Dates:</u></b>	<b><u>Exceptions to COLA Effective Dates:</u></b>
<p>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"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p>Same as Plan 1.</p>	<p>Same as Plan 1 and Plan 2.</p>
<p><b>Disability Coverage</b>  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><b>Disability Coverage</b>  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><b>Disability Coverage</b>  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 program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p><b>Purchase of Prior Service</b>  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</p>	<p><b>Purchase of Prior Service</b>  Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b>  <b><u>Defined Benefit Component:</u></b>  Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> </ul>

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**June 30, 2019**

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**12. Defined Benefit Pension Plan (Continued)**

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.		<b><u>Defined Contribution Component:</u></b> Not applicable.
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**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

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

**Employees Covered by Benefit Terms**

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b><u>Number</u></b>
Inactive members or their beneficiaries currently receiving benefits	<u>63</u>
Inactive members:	
Vested inactive members	7
Non-vested Inactive members	16
Inactive members active elsewhere in VRS	<u>25</u>
Total inactive members	48
Active members	<u>59</u>
Total covered employees	<u><u>170</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 5.00%-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, 2019 was 17.01% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$325,188 and \$336,622 for the years ended June 30, 2019 and June 30, 2018, respectively.

**Net Pension Liability**

The Town's net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**12. DEFINED BENEFIT PENSION PLAN (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, 2017, 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, 2018.

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:**

General Employees: 15% of deaths are assumed to be service related

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

**Post-Disablement:**

RP-2014 Disabled Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

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

**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, 2017, 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, 2018.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 4.75 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:**

Hazardous Duty: 45% of deaths are assumed to be service related

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

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

**Long-Term Expected Rate of Return**

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

in the following table:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	* Expected arithmetic nominal return		<u>7.30%</u>

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from June 30, 2015, actuarial valuations, whichever was greater. 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, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

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

**Changes in Net Pension Liability**

	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
Balances at June 30, 2017	\$ 12,874,158	\$ 10,030,967	\$ 2,843,191
Changes for the year:			
Service cost	204,457		204,457
Interest	873,161		873,161
Changes in benefit terms	-		-
Changes of assumptions	-		-
Difference between expected and actual experience	(35,500)		(35,500)
Contributions - employer	-	331,565	(331,565)
Contributions - employee	-	91,172	(91,172)
Net investment income	-	733,562	(733,562)
Benefit payments, including refunds of employee contributions	(800,863)	(800,863)	-
Administrative expense	-	(6,516)	6,516
Other changes	-	(644)	644
Net changes	241,255	348,276	(107,021)
Balances at June 30, 2018	\$ 13,115,413	\$ 10,379,243	\$ 2,736,170

**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:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
Net Pension Liability	\$ 4,250,684	\$ 2,736,170	\$ 1,466,532

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

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

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

For the year ended June 30, 2019, the Town recognized pension expense of \$264,526. At June 30, 2019, 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	\$ 19,959	\$ 22,867
Change in assumptions	7,768	-
Net difference between projected and actual earnings on pension plan investments	-	79,343
Employer contributions subsequent to the measurement date	313,686	-
Total	<u>\$ 341,413</u>	<u>\$ 102,210</u>

\$313,686 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

**Year ended June 30**

2019	\$ 55,158
2020	(15,135)
2021	(105,531)
2022	(8,975)
2023	-
Thereafter	-
	<u>\$ (74,483)</u>

**Pension Plan Data**

Information about the VRS Political Subdivision Retirement Plan's is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**Payables to the Pension Plan**

At June 30, 2019, the Town reported a payable of \$32,619 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.



**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**13. OTHER POST-EMPLOYMENT BENEFITS LIABILITY (OPEB)-LOCALITY PLAN**

**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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

**Benefits Provided**

A retiree, eligible for post-retirement medical coverage, is defined as a full-time employee who retires directly from the Town with a minimum of twenty (20) years of service. The employee will receive two (2) years of paid health insurance only, or until the employee reaches age 65, whichever comes first.

**Employees Covered by Benefit Terms**

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Active members	52
Retired members	<u>8</u>
Total covered employees	<u>60</u>

**Total OPEB Liability**

The Town's Total OPEB Liability of \$763,025 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2018 under the Alternative Measurement Method.

There are no assets accumulated in a trust, therefore, the Net Fiduciary Position is \$0, and the Net OPEB Liability is equal to the Total OPEB Liability.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.00 percent per year
Discount rate	3.49 percent per year
Healthcare cost trend rates	4.60 percent in 2018, 4.70 percent in 2019, 4.80 percent in 2020 to 2023, 4.70 percent thereafter
Retirees' share of benefit-Related costs	100% of projected health insurance premiums for retirees

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**13. OTHER POST-EMPLOYMENT BENEFITS LIABILITY (OPEB)-LOCALITY PLAN (Continued)**

The discount was based on the Getzen Trend Model, *Milliman's Health Cost Guidelines*, and actuarial judgment.

Mortality rates:

RP-2000 Employee Mortality Tables for Males and Females Projected 18 years; this assumption does not include a margin for future improvements in longevity.

**Changes in Total OPEB Liability**

	Total OPEB Liability
Balances at June 30, 2018	\$ 2,479,921
Changes for the year:	
Service cost	160,493
Interest	102,396
Effect of plan changes	(1,947,247)
Changes of assumptions	24,564
Difference between expected and actual experience	-
Benefit payments, including refunds of employee contributions	(57,102)
Net changes	(1,716,896)
Balances at June 30, 2019	\$ 763,025

**Sensitivity of the Total Pension Liability to Changes in the Discount Rate**

The following presents the total pension liability of the Town using the discount rate of 3.49%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.49%) or one percentage point higher (4.49%) than the current rate:

	<u>1.00% Decrease</u>	<u>Current Discount</u>	<u>1.00% Increase</u>
Total OPEB Liability	\$ 826,574	\$ 763,025	\$ 708,137

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the Town's total OPEB liability using the current healthcare cost trend rates. It also presents what the Town's Total OPEB liability would be if it were calculated using healthcare trend rates that are one percentage point lower or one percentage point higher than the current rates:

	<u>1.00 % Decrease in Trend Rate</u>	<u>Current Trend Rate</u>	<u>1.00% Increase in Trend Rate</u>
Total OPEB Liability	\$ 691,786	\$ 763,025	\$ 847,372

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**13. OTHER POST-EMPLOYMENT BENEFITS LIABILITY (OPEB)-LOCALITY PLAN (Continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2019, the Town recognized negative OPEB expense of \$(1,659,794). The Town's OPEB plan does not have assets in a trust, therefore, per GASB 75 Paragraph 43 (a) and (b), deferred inflows/outflows are \$0 at June 30, 2019.

**14. OTHER POST-EMPLOYMENT BENEFITS LIABILITY-VIRGINIA RETIREMENT SYSTEM PLANS**

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Town of Big Stone Gap also participates in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows:

**Line of Duty Act Program**

**Plan Descriptions**

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the VRS are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the VRS is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in 2012. The employer contributions are determined by the VRS actuary using anticipated program costs and the number of covered individuals associated with all participating employers. The LODA is considered a multiple employer, cost sharing plan.

Specific information about the LODA is available at <https://www.valoda.org/>

**Contributions**

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2017. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Governed by:	Code of Virginia 9-1-400.1 and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	\$705.77 per covered full-time-equivalent employee. Based on pay-as-you-go funding rate.
June 30, 2020 Contribution	\$ 8,469
June 30, 2019 Contribution	\$ 8,511

**OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB**

The net OPEB liabilities were measured as of June 30, 2018 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities, LODA proportion was determined based on pay-as-you-go employer contributions instead of actuarially determined contributions.

June 30, 2019 proportionate share of liability	\$ 250,000
June 30, 2018 proportion	0.07365 %
June 30, 2019 proportion	0.07991 %
June 30, 2019 expense	\$ 12,042

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**14. OTHER POST-EMPLOYMENT BENEFITS LIABILITY-VIRGINIA RETIREMENT SYSTEM PLANS**  
**(Continued)**

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

At June 30, 2019, the Town of Big Stone Gap reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 36,000	\$ 1,000
Difference between projected and actual earnings	-	(1,000)
Changes in proportionate share	16,000	13,000
Changes in assumptions or other inputs	-	29,000
Employer contributions subsequent to the measurement date	8,469	-
Total	<u>\$ 60,469</u>	<u>\$ 42,000</u>

**OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB**  
**(Continued)**

The deferred outflows of resources related to OPEB resulting from the Town of Big Stone Gap's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	<u>Increase (Reduction) to OPEB Expense</u>
2019	\$ 1,000
2020	1,000
2021	998
2022	1,133
2023	1,280
Thereafter	4,588
	<u>\$ 10,000</u>

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**14. OTHER POST-EMPLOYMENT BENEFITS LIABILITY-VIRGINIA RETIREMENT SYSTEM PLANS**  
**(Continued)**

**Actuarial Assumptions and Other Inputs**

Inflation	2.5%
Salary increases, including inflation:	
• Locality- general employees	3.5 – 5.35%
• Locality – hazardous duty employees	3.5 – 4.75%
Healthcare cost trend rates:	
• Under age 65	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%
Investment rate of return, net of expenses, including inflation*	3.89%

- \* 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 rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative 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 the percent noted above to simplify preparation of OPEB liabilities.

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 12.

**Changes to LODA Program Associated with HB 1345 (2016) and HB 2243 (2018)**

Changes were made to the LODA Program as a result of legislation in 2016 and 2018 but were specifically not considered in the June 30, 2017 actuarial valuation results which were rolled forward to the measurement date of June 30, 2018. There was no current actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes, available at [https://www.vml.org/wp-content/uploads/2018/06/SummaryChangesHB1345\\_LODA02.12.16.pdf](https://www.vml.org/wp-content/uploads/2018/06/SummaryChangesHB1345_LODA02.12.16.pdf) and <https://www.varetire.org/pdf/publications/legislative-summary-2018.pdf>, will be factored into future actuarial valuations for the LODA Program.

**Net OPEB Liabilities**

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	<b>Line of Duty Act Program</b>
Total OPEB Liability	\$ 315,395
Plan fiduciary net position	1,889
Employers' net OPEB liability (asset)	\$ 313,506
Plan fiduciary net position as a percentage of total OPEB liability	0.60%

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**14. OTHER POST-EMPLOYMENT BENEFITS LIABILITY-VIRGINIA RETIREMENT SYSTEM PLANS**  
**(Continued)**

**Actuarial Assumptions and Other Inputs (Continued)**

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

**Long-Term Expected Rate of Return**

The long-term expected rate of return on the LODA Program's investments was set at 3.89% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS pooled investments 7.00% assumption noted above. Instead, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return. The Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2018.

**Discount Rate**

The discount rate used to measure the total LODA OPEB liability was 3.89%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance 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. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liabilities of the Town of Big Stone Gap, as well as what the Town's net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (2.89% LODA) or one percentage point higher (4.89% LODA) than the current discount rate:

	<u>1.00% Decrease</u>	<u>Current Discount</u>	<u>1.00% Increase</u>
LODA Net OPEB Liability	\$ 286,427	\$ 250,000	\$ 220,637

**Sensitivity of the LODA Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

Because the Line of Duty Act Program (LODA) contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the LODA net OPEB liability of the Town of Big Stone Gap using health care trend rate of 7.75% decreasing to 5.00%, as well as what the Town's LODA net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current healthcare cost trend rates:

	<u>1.00% Decrease</u>	<u>Current Trend</u>	<u>1.00% Increase</u>
Net LODA OPEB Liability	\$ 212,992	\$ 250,000	\$ 296,075

**OPEB Plan Fiduciary Net Position**

Information about the VRS OPEB plan fiduciary net position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**15. SUMMARY OF PENSION AND OTHER POSTEMPLOYMENT BENEFIT ELEMENTS**

A summary of pension and other postemployment benefit (OPEB) related financial statement elements is as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
<b>Deferred outflows of resources - Related to Pensions</b>			
Deferred outflow-Differences in expected/actual and assumptions			
VRS-Defined Benefit Pension Plan	\$ 18,866	\$ 8,861	\$ 27,727
Deferred outflow-Contributions after the measurement date			
VRS-Defined Benefit Pension Plan	215,029	98,657	313,686
Total deferred outflow of resources - Pensions	<u>\$ 233,895</u>	<u>\$ 107,518</u>	<u>\$ 341,413</u>
<b>Deferred outflows of resources - OPEB</b>			
Deferred outflow-Differences in expected/actual and assumptions			
VRS-LODA-OPEB Proram	\$ 52,000	\$ -	\$ 52,000
Deferred outflow-Contributions after the measurement date			
VRS-LODA-OPEB Proram	8,469	-	8,469
Total deferred outflow of resources - OPEB	<u>\$ 60,469</u>	<u>\$ -</u>	<u>\$ 60,469</u>
<b>Net pension liability</b>			
VRS-Defined Benefit Pension Plan	\$ 1,861,755	\$ 874,415	\$ 2,736,170
Total net pension liability	<u>\$ 1,861,755</u>	<u>\$ 874,415</u>	<u>\$ 2,736,170</u>
<b>Net OPEB liability</b>			
Local Health	\$ 519,180	\$ 243,845	\$ 763,025
VRS-LODA	250,000	-	250,000
Total net OPEB liability	<u>\$ 769,180</u>	<u>\$ 243,845</u>	<u>\$ 1,013,025</u>
<b>Deferred inflows of resources - Related to Pensions</b>			
Deferred inflow-Differences in expected/ actual and assumptions			
VRS-Defined Benefit Pension Plan	\$ 69,546	\$ 32,664	\$ 102,210
Total deferred inflow of resources - Pensions	<u>\$ 69,546</u>	<u>\$ 32,664</u>	<u>\$ 102,210</u>
<b>Deferred inflows of resources - OPEB</b>			
Deferred inflows-Differences in expected/actual and assumptions			
VRS-LODA-Cost Sharing-Multiple-Employer	\$ 42,000	\$ -	\$ 42,000
Total deferred inflow of resources - OPEB	<u>\$ 42,000</u>	<u>\$ -</u>	<u>\$ 42,000</u>

**TOWN OF BIG STONE GAP, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**16. 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 \$141,645 is comprised of the following:

Deferred Property Tax Revenue:

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$141,645 at June 30, 2019.

**17. 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.

**18. RISK MANAGEMENT**

The Town of Big Stone Gap has a blanket bond with Travelers Insurance through South West Insurance Agency covering all town employees at \$10,000 per employee. The Town has an additional \$1,000,000 policy with Travelers Insurance covering the Town's public officials.

**19. 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, 2019, 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	\$ -	\$ -	\$ 59,596
General Fund for Other Purposes	-	-	-
Total Encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,596</u>

**20. DEFICIT UNRESTRICTED NET POSITION**

The Governmental Activities of the Primary Government has a deficit unrestricted net position of \$201,339; however, when considering the net investment in capital assets, while excluding restricted amounts, it has a positive overall net position of \$8,416,864. The Water Fund has a deficit unrestricted net position of \$1,788,992 at June 30, 2019; however when considering the net investment in capital assets, while excluding restricted amounts, it has a positive overall net position of \$6,504,887.



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June 30, 2019

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21. **SUBSEQUENT EVENTS**

The Town has accepted a funding package from VDH for the Route 610 and Shelby Ave Phase II Waterline Replacement Project that consist of \$528,600 Principal Forgiveness and \$241,700 loan proceeds at 2.30% interest for 30 years from the Virginia Resource Authority. The closing is scheduled for December 2019.

22. **NEW ACCOUNTING PRONOUNCEMENTS**

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

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant acceleration clauses. This Statement will improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement is effective for the year ending June 30, 2019.

23. **FUTURE ACCOUNTING PRONOUNCEMENTS**

Statement No. 83, *Certain Asset Retirement Obligations*, establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The requirements of this statement should be applied prospectively.

Statement No. 90, *Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61*, defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

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, 2019

EXHIBIT 10

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
General property taxes	\$ 1,042,800	\$ 1,053,847	\$ 1,014,278	\$ (39,569)
Other local taxes	1,700,900	1,735,406	1,774,867	39,461
Permits, privilege fees and regulatory licenses	5,450	5,450	3,335	(2,115)
Fines and forfeitures	10,000	25,702	27,417	1,715
Revenue from use of money and property	52,850	54,639	31,193	(23,446)
Charges for services	505,127	562,614	533,541	(29,073)
Miscellaneous	40,000	65,810	67,603	1,793
Recovered costs	130,150	155,828	155,712	(116)
Intergovernmental	2,207,928	2,394,469	2,345,824	(48,645)
Total Revenues	<u>5,695,205</u>	<u>6,053,765</u>	<u>5,953,770</u>	<u>(99,995)</u>
<b>EXPENDITURES:</b>				
General government administration	997,600	1,003,312	917,452	85,860
Public safety	1,501,737	1,584,041	1,489,553	94,488
Public works	1,230,700	1,731,848	1,724,950	6,898
Health and welfare	2,500	2,500	34,134	(31,634)
Parks, recreation and cultural	993,900	1,341,444	1,216,230	125,214
Community development	974,568	946,118	911,900	34,218
Debt Service	154,200	154,200	161,407	(7,207)
Total Expenditures	<u>5,855,205</u>	<u>6,763,463</u>	<u>6,455,626</u>	<u>307,837</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of property	10,000	10,000	3,559	(6,441)
Insurance recoveries	-	26,850	26,850	-
Loan proceeds	-	73,100	73,100	-
Transfers in (out)	150,000	150,000	-	(150,000)
Prior Year Surplus	-	449,748	-	(449,748)
Total Other Financing Sources (Uses)	<u>160,000</u>	<u>709,698</u>	<u>103,509</u>	<u>(606,189)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (398,347)</u>	<u>\$ (398,347)</u>

**TOWN OF BIG STONE GAP**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (unaudited)**  
**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**  
**June 30, 2019**

	2018	2017	2016	2015	2014
<b>Total pension liability</b>					
Service cost	\$ 204,457	\$ 240,718	\$ 238,286	\$ 233,077	\$ 216,422
Interest	873,161	837,453	810,200	782,716	763,442
Changes of benefit terms	-	251,585	-	-	-
Differences between expected and actual experience	(35,500)	17,544	186,519	153,591	-
Changes in assumptions	-	24,294	-	-	-
Benefit payments, including refunds of employee contributions	(800,863)	(922,095)	(769,268)	(784,241)	(624,795)
Net change in total pension liability	241,255	449,499	465,737	385,143	355,069
Total pension liability - beginning	12,874,158	12,424,659	11,958,922	11,573,779	11,218,710
Total pension liability - ending	\$ 13,115,413	\$ 12,874,158	\$ 12,424,659	\$ 11,958,922	\$ 11,573,779
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 331,565	\$ 313,404	\$ 285,769	\$ 309,292	\$ 259,446
Contributions - employee	91,172	86,454	88,684	97,469	96,016
Net investment income	733,562	1,124,759	160,213	435,518	1,335,250
Benefit payments, including refunds of employee contributions	(800,863)	(922,095)	(769,268)	(784,241)	(624,795)
Administrative expense	(6,516)	(6,889)	(6,136)	(6,239)	(7,355)
Other	(644)	(980)	(69)	(89)	71
Net change in total pension liability	348,276	594,653	(240,807)	51,710	1,058,633
Total pension liability - beginning	10,030,967	9,436,314	9,677,121	9,625,411	8,566,778
Total pension liability - ending	\$ 10,379,243	\$ 10,030,967	\$ 9,436,314	\$ 9,677,121	\$ 9,625,411
Political subdivision's net pension liability - ending	\$ 2,736,170	\$ 2,843,191	\$ 2,988,345	\$ 2,281,801	\$ 1,948,368
Plan fiduciary net position as a percentage of the total pension liability	79.14%	77.92%	75.95%	80.92%	83.17%
Covered - employee payroll	\$ 1,864,158	\$ 1,862,888	\$ 1,867,213	\$ 1,846,434	\$ 1,932,503
Political subdivision's net pension liability as a percentage of covered-employee payroll	146.78%	152.62%	160.04%	123.58%	100.82%

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

**TOWN OF BIG STONE GAP**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS (unaudited)**  
**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**  
**June 30, 2019**

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
2019	\$ 325,188	325,188	-	\$ 1,910,985	17.02%
2018	336,622	336,622	-	1,864,158	18.06%
2017	317,529	317,529	-	1,862,888	17.04%
2016	374,037	374,037	-	1,867,213	20.03%
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%

**TOWN OF BIG STONE GAP, VIRGINIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS (unaudited)**  
**June 30, 2019**

	<u>2019</u>	<u>2018</u>
	<u>Local Plan</u>	<u>Local Plan</u>
<b>Total OPEB liability</b>		
Service cost	\$ 160,493	\$ 123,525
Interest	102,396	132,882
Changes of benefit terms	-	-
Differences between expected and actual experience	(1,947,247)	(213,601)
Changes in assumptions	24,564	(3,129)
Benefit payments, including refunds of employee contributions	(57,102)	(62,580)
<b>Net change in total OPEB liability</b>	<u>(1,716,896)</u>	<u>(22,903)</u>
<b>Total OPEB liability - beginning</b>	<u>2,479,921</u>	<u>2,502,824</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 763,025</u></u>	<u><u>\$ 2,479,921</u></u>
 <b>Covered - employee payroll</b>	 <b>\$ 1,985,346</b>	 <b>\$ 1,872,398</b>
 <b>Total OPEB liability as a percentage of covered-employee payroll</b>	 <b>38.43%</b>	 <b>132.45%</b>

1) Fiscal year 2018 was the first year of GASB 75 implementation therefore only two years are shown herein. Years will be added to this schedule in future fiscal years until 10 years of information is available

**Notes to Schedule:**

*Changes to assumptions:* Changes to assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2019	3.490%
2018	3.920%
2017	5.000%

**TOWN OF BIG STONE GAP, VIRGINIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY (unaudited)**  
**June 30, 2019**

*	Employer's	Employer's		Employer's	Plan
Fiscal	Portion	Proportionate		Proportionate Share	Fiduciary
Year	of the	Share of the	Employer's	of the Net OPEB	Net Position
Ended	Net OPEB	Net OPEB	Covered	Liability (Asset)	as a % of the
30-Jun	Liability (Asset)	Liability (Asset)	Payroll	as % of its	Total
				Covered Payroll	OPEB Liability
<b>VRS- Line of Duty Act (LODA)</b>					
2019	0.07991%	\$ 250,000	\$ 627,240	39.86%	0.60%
2018	0.07365%	193,000	585,829	32.94%	1.30%

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

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only one year of data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

**TOWN OF BIG STONE GAP, VIRGINIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF OPEB CONTRIBUTIONS (unaudited)**  
**June 30, 2019**

Fiscal Year	Contributions Related to			Contributions	
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	as a % of Covered Employee Payroll
<b>VRS- Line of Duty Act</b>					
2019	\$ 8,469	\$ 8,469	\$ -	\$ 627,600	1.35%
2018	8,511	8,511	-	627,240	1.36%
2017	7,943	7,943	-	585,829	1.36%
2016	7,783	7,783	-	595,974	1.31%
2015	7,264	7,264	-	630,525	1.15%
2014	7,308	7,308	-	643,022	1.14%
2013	7,112	7,112	-	611,179	1.16%
2012	3,508	3,508	-	619,055	0.57%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, years of data available are presented since first year of LODA contributions. Additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year-i.e. the covered payroll on which required contributions were based for the same year.

**TOWN OF BIG STONE GAP, VIRGINIA**  
Notes to Required Supplementary Information (unaudited)  
June 30, 2019

**Note 1. Change of benefit terms**

Pension

There have been no actuarially material changes to the Authority's benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2018 are not material.

Other Postemployment Benefits (OPEB)

There have been no actuarially material changes to the System of benefit provisions since the prior actuarial valuation.

**Note 2. Changes of assumptions** - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

**Largest 10 -- Non-Hazardous Duty:**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%
Applicable to:	Pension, GLI OPEB

**All Others (Non 10 Largest) -- Non-Hazardous Duty:**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Applicable to:	Pension, GLI OPEB

**Largest 10 -- Hazardous Duty/Public Safety Employees:**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 60% to 70%
Applicable to:	Pension, GLI OPEB, and LODA OPEB

**All Others (Non 10 Largest) -- Hazardous Duty/Public Safety Employees:**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Applicable to:	Pension, GLI OPEB, and LODA OPEB



**TOWN OF BIG STONE GAP, VIRGINIA**  
**GOVERNMENTAL FUND REVENUES**  
**BUDGETARY COMPARISON SCHEDULE**  
Year Ended June 30, 2019

SCHEDULE I  
Page 1

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>PRIMARY GOVERNMENT</b>				
<b>GENERAL FUND:</b>				
<b>Revenue from Local Sources:</b>				
<b>General Property Taxes:</b>				
Real property taxes	\$ 801,000	\$ 801,000	\$ 764,136	\$ (36,864)
Real and personal public service corporation property taxes	43,000	43,964	43,964	-
Personal property taxes	167,500	174,867	172,824	(2,043)
Machinery and tools taxes	1,000	1,000	381	(619)
Penalties and interest	30,300	33,016	32,973	(43)
Total General Property Taxes	<u>1,042,800</u>	<u>1,053,847</u>	<u>1,014,278</u>	<u>(39,569)</u>
<b>Other Local Taxes:</b>				
Local sales and use taxes	210,000	210,000	201,422	(8,578)
Cigarette taxes	52,000	52,000	50,888	(1,112)
Utility taxes	111,000	111,000	113,187	2,187
Business licenses taxes	267,900	296,815	293,453	(3,362)
Communication taxes	190,000	190,000	162,198	(27,802)
Motor vehicle licenses	60,000	65,591	65,634	43
Bank stock taxes	110,000	110,000	95,600	(14,400)
Hotel and motel room taxes	5,000	5,000	4,789	(211)
Restaurant food taxes	670,000	670,000	749,410	79,410
Coal road improvement taxes	25,000	25,000	38,286	13,286
Total Other Local Taxes	<u>1,700,900</u>	<u>1,735,406</u>	<u>1,774,867</u>	<u>39,461</u>
<b>Permits, Privilege Fees, And Regulatory Licenses</b>	<u>5,450</u>	<u>5,450</u>	<u>3,335</u>	<u>(2,115)</u>
<b>Fines and Forfeitures</b>	<u>10,000</u>	<u>25,702</u>	<u>27,417</u>	<u>1,715</u>
<b>Revenue From Use Of Money and Property:</b>				
Revenue from use of money	2,300	4,089	9,515	5,426
Revenue from use of property	<u>50,550</u>	<u>50,550</u>	<u>21,678</u>	<u>(28,872)</u>
Total Revenue From Use of Money and Property	<u>52,850</u>	<u>54,639</u>	<u>31,193</u>	<u>(23,446)</u>
<b>Charges For Services:</b>				
Fire services	7,000	7,000	2,845	(4,155)
Security	3,500	7,516	8,159	643
Charges for sanitation and waste removal	317,000	317,000	309,087	(7,913)
Charges for parks and recreation	62,700	112,700	125,282	12,582
Cemetery plots and materials	40,000	40,000	21,339	(18,661)
Police Restitution	74,927	78,398	66,829	(11,569)
Total Charges For Services	<u>505,127</u>	<u>562,614</u>	<u>533,541</u>	<u>(29,073)</u>
<b>Miscellaneous Revenue</b>	<u>40,000</u>	<u>65,810</u>	<u>67,603</u>	<u>1,793</u>
<b>Recovered Costs</b>	<u>130,150</u>	<u>155,828</u>	<u>155,712</u>	<u>(116)</u>
Total Revenue From Local Sources	<u>\$ 3,487,277</u>	<u>\$ 3,659,296</u>	<u>\$ 3,607,946</u>	<u>\$ (51,350)</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, 2019

SCHEDULE 1  
Page 2

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenue From The Commonwealth:</b>				
<b>Non-Categorical Aid:</b>				
Motor vehicle carriers' taxes	\$ 2,500	\$ 2,500	\$ 3,261	\$ 761
Mobile home titling taxes	2,000	2,000	5,485	3,485
Rolling stock taxes	10,000	10,000	8,694	(1,306)
Coal haul road revenue	50,000	100,000	100,000	-
Assistance to localities with police departments	148,700	148,700	148,664	(36)
Total Non-Categorical Aid	<u>213,200</u>	<u>263,200</u>	<u>266,104</u>	<u>2,904</u>
<b>Other Categorical Aid:</b>				
Street and highway maintenance	850,000	850,000	917,694	67,694
Litter control	3,000	3,000	2,940	(60)
Financial assistance to the arts	4,500	4,500	4,500	-
DMV grants	-	16,576	11,735	(4,841)
DEQ grants	-	39,868	39,868	-
CDBG-IRF Grant	395,952	395,952	434,171	38,219
Fire programs fund	16,000	19,432	19,432	-
Total Other Categorical Aid	<u>1,269,452</u>	<u>1,329,328</u>	<u>1,430,340</u>	<u>101,012</u>
Total Revenue From The Commonwealth	<u>1,482,652</u>	<u>1,592,528</u>	<u>1,696,444</u>	<u>103,916</u>
<b>Revenue From The Federal Government:</b>				
<b>Payment In Lieu of Taxes:</b>				
Payment in lieu of property taxes	43,200	43,400	43,400	-
Total Payment in Lieu of Taxes	<u>43,200</u>	<u>43,400</u>	<u>43,400</u>	<u>-</u>
<b>Categorical Aid:</b>				
HIDTA Grant	113,076	139,541	132,594	(6,947)
Appalachian Regional Commission Grant	500,000	500,000	402,015	(97,985)
Rural Development grants	-	50,000	50,000	-
CDBG Grant	69,000	69,000	21,371	(47,629)
Total Categorical Aid	<u>682,076</u>	<u>758,541</u>	<u>605,980</u>	<u>(152,561)</u>
Total Revenue From The Federal Government	<u>725,276</u>	<u>801,941</u>	<u>649,380</u>	<u>(152,561)</u>
Prior Years Surplus	<u>-</u>	<u>449,748</u>	<u>-</u>	<u>(449,748)</u>
<b>TOTAL GENERAL FUND</b>	<u>5,695,205</u>	<u>6,503,513</u>	<u>5,953,770</u>	<u>(549,743)</u>
<b>GRAND TOTALS - REVENUES - PRIMARY GOVERNMENT FUNDS</b>				
	<u>\$ 5,695,205</u>	<u>\$ 6,503,513</u>	<u>\$ 5,953,770</u>	<u>\$ (549,743)</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, 2019

SCHEDULE 2  
Page 1

	<b>Original Budget</b>	<b>Budget as Amended</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>PRIMARY GOVERNMENT</b>				
<b>GENERAL FUND:</b>				
<b>General Government Administration:</b>				
<b>Legislative:</b>				
Town Council	\$ 33,800	\$ 42,000	\$ 38,400	\$ 3,600
Mayor	5,600	6,350	5,868	482
Total Legislative	<u>39,400</u>	<u>48,350</u>	<u>44,268</u>	<u>4,082</u>
<b>General and Financial Administration:</b>				
Town Manager	202,900	182,940	170,894	12,046
Legal and consulting	35,000	23,700	18,824	4,876
Independent auditor	20,000	20,925	20,922	3
Treasurer/Clerk	327,650	329,685	286,112	43,573
Accounting	76,400	83,819	83,687	132
Risk management	110,950	110,950	90,640	20,310
Automotive/motor pool	112,900	127,586	129,530	(1,944)
Central purchasing	-	175	172	3
Data processing	72,400	75,182	72,403	2,779
Total General and Financial Administration	<u>958,200</u>	<u>954,962</u>	<u>873,184</u>	<u>81,778</u>
Total General Government Administration	<u>997,600</u>	<u>1,003,312</u>	<u>917,452</u>	<u>85,860</u>
<b>Public Safety:</b>				
<b>Law Enforcement and Traffic Control:</b>				
Police department	1,151,500	1,160,451	1,090,010	70,441
Drug task force	187,977	235,220	218,364	16,856
Total Law Enforcement and Traffic Control	<u>1,339,477</u>	<u>1,395,671</u>	<u>1,308,374</u>	<u>87,297</u>
<b>Fire and Rescue Services:</b>				
Volunteer fire department	133,200	159,310	161,367	(2,057)
Total Fire and Rescue Services	<u>133,200</u>	<u>159,310</u>	<u>161,367</u>	<u>(2,057)</u>
<b>Inspections:</b>				
Building	29,060	29,060	19,812	9,248
Total Inspections	<u>29,060</u>	<u>29,060</u>	<u>19,812</u>	<u>9,248</u>
Total Public Safety	<u>1,501,737</u>	<u>1,584,041</u>	<u>1,489,553</u>	<u>94,488</u>
<b>Public Works:</b>				
<b>Maintenance of Highways, Streets, Bridges and Sidewalks:</b>				
Highways, streets, bridges, and sidewalks	686,800	1,113,824	1,121,797	(7,973)
Storm drainage	25,000	67,410	64,369	3,041
Street lights	97,000	97,000	96,462	538
Snow and ice removal	29,500	12,500	8,107	4,393
Curbs and guttering	35,000	45,200	45,141	59
Total Maintenance of Highways, Streets, Bridges, and Sidewalks	<u>873,300</u>	<u>1,335,934</u>	<u>1,335,876</u>	<u>58</u>

**TOWN OF BIG STONE GAP, VIRGINIA**  
**GOVERNMENTAL FUND EXPENDITURES**  
**BUDGETARY COMPARISON SCHEDULE**  
Year Ended June 30, 2019

SCHEDULE 2  
Page 2

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Sanitation and Waste Removal:</b>				
Refuse collection	\$ 249,200	\$ 270,714	\$ 263,177	\$ 7,537
Total Sanitation and Waste Removal	<u>249,200</u>	<u>270,714</u>	<u>263,177</u>	<u>7,537</u>
 <b>Maintenance of General Buildings and Grounds:</b>				
General properties	<u>108,200</u>	<u>125,200</u>	<u>125,897</u>	<u>(697)</u>
Total Public Works	<u>1,230,700</u>	<u>1,731,848</u>	<u>1,724,950</u>	<u>6,898</u>
 <b>Health and Welfare:</b>				
Area agency on aging	2,500	2,500	2,500	-
Property tax relief for elderly	-	-	31,634	(31,634)
Total Welfare/Social Services	<u>2,500</u>	<u>2,500</u>	<u>34,134</u>	<u>(31,634)</u>
Total Health and Welfare	<u>2,500</u>	<u>2,500</u>	<u>34,134</u>	<u>(31,634)</u>
 <b>Parks, Recreation and Cultural:</b>				
Administration	794,500	1,055,703	992,143	63,560
Green Belt Trail	-	800	743	57
Maintenance	24,000	109,267	92,962	16,305
Swimming pool	49,900	49,900	35,822	14,078
Cemeteries	88,100	88,374	63,660	24,714
Farmers Market	2,900	2,900	1,900	1,000
Total Parks and Recreation	<u>959,400</u>	<u>1,306,944</u>	<u>1,187,230</u>	<u>119,714</u>
 <b>Cultural Enrichment:</b>				
Pro-Art	4,000	4,000	4,000	-
Lonesome Pine Arts and Crafts	4,000	4,000	4,000	-
Miscellaneous	24,000	24,000	18,500	5,500
Total Cultural Enrichment	<u>32,000</u>	<u>32,000</u>	<u>26,500</u>	<u>5,500</u>
 <b>Library:</b>				
Payments to regional library	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>-</u>
Total Parks, Recreation and Cultural	<u>993,900</u>	<u>1,341,444</u>	<u>1,216,230</u>	<u>125,214</u>
 <b>Community Development:</b>				
Community development	974,568	946,118	911,900	34,218
Total Planning and Community Development	<u>974,568</u>	<u>946,118</u>	<u>911,900</u>	<u>34,218</u>
Total Community Development	<u>974,568</u>	<u>946,118</u>	<u>911,900</u>	<u>34,218</u>

**TOWN OF BIG STONE GAP, VIRGINIA**  
**GOVERNMENTAL FUND EXPENDITURES**  
**BUDGETARY COMPARISON SCHEDULE**  
Year Ended June 30, 2019

SCHEDULE 2  
Page 3

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Debt Service:</b>				
Principal retirement	\$ 154,200	\$ 154,200	\$ 125,036	\$ 29,164
Interest	-	-	36,371	(36,371)
Total Debt Service	<u>154,200</u>	<u>154,200</u>	<u>161,407</u>	<u>(7,207)</u>
 <b>TOTAL GENERAL FUND</b>	 <u>5,855,205</u>	 <u>6,763,463</u>	 <u>6,455,626</u>	 <u>307,837</u>
 <b>GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS</b>	 <u>5,855,205</u>	 <u>6,763,463</u>	 <u>6,455,626</u>	 <u>307,837</u>
 <b>OTHER FINANCING RESOURCES (USES):</b>				
Sale of property	10,000	10,000	3,559	(6,441)
Insurance recoveries	-	26,850	26,850	-
Loan proceeds	-	73,100	73,100	-
Transfer in (out)	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>160,000</u>	<u>259,950</u>	<u>103,509</u>	<u>(6,441)</u>
 <b>Net Increase (Decrease) in Fund Balances</b>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ (398,347)</u>	 <u>\$ (398,347)</u>

**TOWN OF BIG STONE GAP, VIRGINIA**  
**STATEMENT OF TREASURER'S ACCOUNTABILITY**  
**June 30, 2019**

SCHEDULE 3

**ASSETS HELD BY THE TREASURER:**

Cash on hand		<u>\$ 600</u>
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**Cash in banks:**

**Checking:**

Branch Banking and Trust	146,229	
Powell Valley National Bank	<u>2,299,247</u>	
Total Checking		2,445,476

**Savings:**

Powell Valley National Bank	<u>7,634</u>	
Total Savings		7,634

**Certificates of Deposit:**

New Peoples Bank	103,612	
Powell Valley National Bank	<u>2,296,147</u>	
Total Certificates of Deposit		<u>2,399,759</u>

<b>TOTAL CASH IN BANKS</b>		<u><u>\$ 4,852,869</u></u>
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<b>TOTAL CASH</b>		<u><u>\$ 4,853,469</u></u>
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**LIABILITIES OF THE TREASURER:**

<b>BALANCE OF TOWN FUNDS</b>		<u><u>\$ 4,853,469</u></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.

<b>CONTENTS</b>	<b>PAGE</b>
<b>FINANCIAL TRENDS</b>	72
These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	
<b>REVENUE CAPACITY</b>	76
These schedules contain trend information to help the reader assess the Town's most significant local revenue source, the property tax.	
<b>DEBT CAPACITY</b>	80
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.	
<b>ECONOMIC AND DEMOGRAPHIC INFORMATION</b>	83
These schedules offer economic and demographic indicators to help the reader understand the Environment within which the town's financial activities take place.	
<b>OPERATING INFORMATION</b>	85
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.	

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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Governmental activities</b>										
Net investment in capital assets	\$ 4,179,588	\$ 4,314,741	\$ 4,723,153	\$ 4,918,489	\$ 5,486,403	\$ 5,836,586	\$ 6,561,745	\$ 8,010,396	\$ 8,648,885	\$ 8,618,203
Restricted	-	200,446	454,022	420,705	498,697	433,933	426,648	407,415	383,814	413,224
Unrestricted	1,726,246	1,941,252	1,695,739	1,901,976	2,057,576	796,031	826,637	811,270	(1,070,084)	(201,339)
Total governmental activities net position	5,905,834	6,456,439	6,872,914	7,241,170	8,042,676	7,066,550	7,815,030	9,229,081	7,962,615	8,830,088
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	10,708,386	12,017,827	12,940,723	13,790,758	14,356,841	14,104,154	13,946,633	13,670,229	13,445,910	13,390,746
Restricted	-	-	-	519,418	566,989	576,522	578,654	706,781	-	-
Unrestricted	1,601,325	1,857,691	1,733,800	266,697	86,526	(512,924)	(299,568)	(182,020)	(208,921)	1,006,150
Total business-type activities	12,309,711	13,875,518	14,674,523	14,576,873	15,010,356	14,167,752	14,225,719	14,194,990	13,236,989	14,396,896
<b>Primary government</b>										
Net investment in capital assets	14,887,974	16,332,568	17,663,876	18,709,247	19,843,244	19,940,740	20,508,378	21,680,625	22,094,795	22,008,949
Restricted	-	200,446	454,022	940,123	1,065,686	1,010,455	1,005,302	1,114,196	383,814	413,224
Unrestricted	3,327,571	3,798,943	3,429,539	2,168,673	2,144,102	283,107	527,069	629,250	(1,279,005)	804,811
Total primary government net position	\$ 18,215,545	\$ 20,331,957	\$ 21,547,437	\$ 21,818,043	\$ 23,053,032	\$ 21,234,302	\$ 22,040,749	\$ 23,424,071	\$ 21,199,604	\$ 23,226,984

1) 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 2) 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**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Expenses</b>										
<b>Governmental Activities</b>										
General government	\$ 853,099	\$ 752,749	\$ 725,015	\$ 825,324	\$ 994,202	\$ 1,051,566	\$ 1,012,786	\$ 880,827	\$ 1,064,204	\$ 592,780
Public safety	1,794,103	1,711,243	1,608,733	1,770,301	1,724,958	1,412,244	1,389,878	1,557,379	1,826,662	1,134,920
Public works	1,156,339	1,087,526	1,156,507	1,321,308	1,340,341	1,012,813	1,201,774	1,500,727	1,325,963	1,454,319
Health and welfare	27,639	27,892	29,003	34,398	32,417	25,299	33,439	34,168	33,835	34,134
Parks, recreation and cultural	483,823	492,531	558,739	654,966	574,353	582,673	621,698	880,711	918,451	944,697
Community development	8,907	133,659	202,116	155,970	2,700	15,850	23,460	-	181,183	911,900
Interest on long-term debt	3,727	2,907	2,568	16,125	15,805	15,573	18,297	29,682	39,934	36,476
Non-departmental	331	100	-	-	-	-	-	-	-	-
<b>Total government activities expense</b>	<b>4,327,968</b>	<b>4,208,607</b>	<b>4,282,681</b>	<b>4,778,392</b>	<b>4,684,776</b>	<b>4,116,018</b>	<b>4,301,332</b>	<b>4,883,494</b>	<b>5,390,232</b>	<b>5,109,227</b>
<b>Business-Type Activities</b>										
Water	2,554,898	2,599,843	2,816,255	2,910,990	2,839,093	2,612,238	2,434,693	2,578,299	2,618,548	2,028,832
Wastewater	1,422,626	1,561,332	1,531,330	1,555,631	1,499,681	1,488,939	1,475,405	1,570,311	1,806,459	1,484,313
<b>Total business-type activities expenses</b>	<b>3,977,524</b>	<b>4,161,175</b>	<b>4,347,585</b>	<b>4,466,621</b>	<b>4,338,774</b>	<b>4,101,177</b>	<b>3,910,098</b>	<b>4,148,610</b>	<b>4,425,007</b>	<b>3,513,145</b>
<b>Total primary government expenses</b>	<b>\$ 8,305,492</b>	<b>\$ 8,369,782</b>	<b>\$ 8,630,266</b>	<b>\$ 9,245,013</b>	<b>\$ 9,023,550</b>	<b>\$ 8,217,195</b>	<b>\$ 8,211,430</b>	<b>\$ 9,032,104</b>	<b>\$ 9,815,239</b>	<b>\$ 8,622,372</b>
<b>Program Revenues</b>										
<b>Governmental Activities</b>										
Charges for services										
Public safety	\$ 90,531	\$ 74,333	\$ 26,966	\$ 135,528	\$ 80,175	\$ 67,658	\$ 69,674	\$ 82,255	\$ 85,492	\$ 77,833
Public works	298,475	299,240	299,072	294,572	289,306	288,848	283,125	279,752	307,182	309,087
Parks, recreation and culture	82,602	68,182	68,536	74,812	70,685	69,571	67,252	88,843	96,686	146,621
Community development	-	-	-	-	1,020	-	-	-	-	-
Operating grants and contributions	1,205,841	1,127,046	1,345,211	1,106,199	1,410,673	1,204,384	1,235,119	1,168,166	1,383,840	1,298,798
Capital grants and contributions	31,500	25,167	5,000	69,422	867,894	93,598	273,383	1,557,173	608,120	907,557
<b>Total governmental activities program revenues</b>	<b>1,708,949</b>	<b>1,593,968</b>	<b>1,744,785</b>	<b>1,680,533</b>	<b>2,719,753</b>	<b>1,724,059</b>	<b>1,928,553</b>	<b>3,176,189</b>	<b>2,481,320</b>	<b>2,739,896</b>
<b>Business-Type Activities</b>										
Charges for services										
Water	2,590,632	2,448,059	2,578,259	2,523,599	2,583,230	2,495,051	2,506,629	2,624,186	2,561,893	2,588,762
Wastewater	1,266,356	1,384,341	1,485,525	1,424,508	1,550,445	1,427,363	1,413,709	1,415,338	1,482,793	1,571,259
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	731,453	1,931,772	1,645,042	1,186,401	634,481	120,276	40,864	71,774	120,168	497,751
<b>Total business-type activities program revenues</b>	<b>4,588,441</b>	<b>5,764,172</b>	<b>5,708,826</b>	<b>5,134,508</b>	<b>4,768,156</b>	<b>4,042,690</b>	<b>3,961,202</b>	<b>4,111,298</b>	<b>4,164,854</b>	<b>4,657,772</b>
<b>Total primary government program revenues</b>	<b>\$ 6,297,390</b>	<b>\$ 7,358,140</b>	<b>\$ 7,453,611</b>	<b>\$ 6,815,041</b>	<b>\$ 7,487,909</b>	<b>\$ 5,766,749</b>	<b>\$ 5,889,755</b>	<b>\$ 7,287,487</b>	<b>\$ 6,646,174</b>	<b>\$ 7,397,668</b>
<b>Net (Expense)/Revenue</b>										
<b>Governmental Activities</b>	<b>\$ (2,619,019)</b>	<b>\$ (2,614,639)</b>	<b>\$ (2,537,896)</b>	<b>\$ (3,097,859)</b>	<b>\$ (1,965,023)</b>	<b>\$ (2,391,959)</b>	<b>\$ (2,391,959)</b>	<b>\$ (1,707,305)</b>	<b>\$ (2,908,912)</b>	<b>\$ (2,369,331)</b>
<b>Business-Type Activities</b>	<b>610,917</b>	<b>1,602,997</b>	<b>1,361,241</b>	<b>667,887</b>	<b>429,382</b>	<b>(58,487)</b>	<b>(58,487)</b>	<b>(37,312)</b>	<b>(260,153)</b>	<b>1,144,627</b>
<b>Total primary government net (expense)/revenue</b>	<b>\$ (2,008,102)</b>	<b>\$ (1,011,642)</b>	<b>\$ (1,176,655)</b>	<b>\$ (2,429,972)</b>	<b>\$ (1,535,641)</b>	<b>\$ (2,450,446)</b>	<b>\$ (2,450,446)</b>	<b>\$ (1,744,617)</b>	<b>\$ (3,169,065)</b>	<b>\$ (1,224,704)</b>

TABLE 2 cont.

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General Revenues and other Changes in Net Position</b>										
<b>Governmental Activities:</b>										
Taxes										
Property taxes	\$ 990,112	\$ 996,365	\$ 985,082	\$ 996,372	\$ 1,021,829	\$ 1,021,829	\$ 1,019,919	\$ 1,055,104	\$ 1,043,502	\$ 1,010,818
Local sales & use tax	397,989	278,650	210,028	200,693	188,713	188,713	206,284	206,772	196,060	201,422
Utility tax	120,987	121,666	114,829	108,135	120,608	120,608	114,522	113,897	114,288	113,187
Business license tax	255,043	257,689	272,666	262,667	224,685	224,685	269,032	275,851	271,497	293,453
Communication tax	197,280	202,260	191,746	212,801	192,354	192,354	185,028	180,480	174,838	162,198
Motor vehicle license	61,221	59,702	56,253	54,952	53,534	53,534	44,045	56,215	55,973	65,634
Bank stock tax	94,393	102,233	91,752	98,302	92,414	92,414	116,969	104,174	106,107	95,600
Cigarette tax	35,155	34,500	31,840	33,135	25,860	25,860	60,810	52,355	48,095	50,888
Hotel and motel room tax	13,038	11,500	10,576	10,695	7,902	7,902	6,293	4,816	4,192	4,789
Restaurant food tax	497,286	515,271	536,202	524,473	531,584	531,584	573,026	668,756	680,782	749,410
Coal road improvement tax	160,221	198,370	223,155	107,719	70,663	70,663	30,713	23,660	24,017	38,286
Unrestricted intergovernmental revenue	62,828	31,672	56,117	60,080	60,070	60,070	53,329	113,808	58,602	139,469
Unrestricted investment earnings	7,805	5,988	4,407	2,507	1,696	1,696	2,884	1,765	3,386	5,494
Rental of Town property	8,596	8,240	10,049	44,152	14,342	14,342	22,098	17,651	56,779	21,678
Gain on sale of capital assets	-	-	-	-	-	-	13,589	25,913	5,859	3,559
Other	346,326	190,321	223,921	198,484	160,275	160,275	402,718	220,139	514,453	280,918
Total governmental activities	3,248,280	3,014,427	3,018,623	2,915,167	2,766,529	2,766,529	3,121,259	3,121,356	3,358,430	3,236,803
<b>Business-Type Activities:</b>										
Unrestricted investment earnings	28,119	18,156	12,082	7,877	4,101	4,101	6,863	6,583	9,438	15,280
Other	-	-	-	-	-	-	-	-	-	-
Total business-type activities	28,119	18,156	12,082	7,877	4,101	4,101	6,863	6,583	9,438	15,280
Total primary government	\$ 3,276,399	\$ 3,032,583	\$ 3,030,705	\$ 2,923,044	\$ 2,770,630	\$ 2,770,630	\$ 3,128,122	\$ 3,127,939	\$ 3,367,868	\$ 3,252,083
<b>Change in Net Position</b>										
Governmental Activities	\$ 629,261	\$ 399,788	\$ 480,727	\$ (182,692)	\$ 801,506	\$ 374,570	\$ 748,480	\$ 1,414,051	\$ 449,518	\$ 867,473
Business-Type Activities	639,036	1,621,153	1,373,323	675,764	433,483	(54,386)	(51,624)	(30,729)	(250,715)	1,159,907
Total primary government	\$ 1,268,297	\$ 2,020,941	\$ 1,854,050	\$ 493,072	\$ 1,234,989	\$ 320,184	\$ 696,856	\$ 1,383,322	\$ 198,803	\$ 2,027,380

TABLE 3

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$ 14,423	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,768,980	-	-	-	-	-	-	-	-	-
Nonspendable		\$ 486	\$ 3,794	\$ 1,588,988	\$ 1,581,391	\$ 1,587,132	\$ 1,544,363	\$ 1,543,891	\$ 1,508,891	\$ 1,397,238
Restricted		124,284	376,171	341,200	418,150	435,429	439,545	420,313	396,759	423,465
Committed		853,000	404,050	309,250	288,150	147,600	317,740	228,625	340,105	247,231
Assigned		219,516	214,338	69,424	101,539	366,522	254,901	550,856	662,379	94,212
Unassigned		999,672	1,247,385	170,111	354,236	500,743	385,760	253,960	233,359	581,000
Total general fund	\$ 1,783,403	\$ 2,196,958	\$ 2,245,738	\$ 2,478,973	\$ 2,743,466	\$ 3,037,426	\$ 2,942,309	\$ 2,997,645	\$ 3,141,493	\$ 2,743,146
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special Revenue fund	74,325	-	-	-	-	-	-	-	-	-
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted		76,162	77,850	79,505	80,547	-	-	-	-	-
Committed		-	-	-	-	-	-	-	-	-
Assigned		-	-	-	-	-	-	-	-	-
Unassigned		-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 74,325	\$ 76,162	\$ 77,850	\$ 79,505	\$ 80,547	\$ -	\$ -	\$ -	\$ -	\$ -

- 1) GASB 54 was implemented for the year ended June 30, 2011 which changes the method of reporting fund balance.
- 2) 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**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
General property taxes	\$ 992,148	\$ 985,417	\$ 975,224	\$ 991,818	\$ 1,023,133	\$ 991,206	\$ 1,007,579	\$ 1,048,789	\$ 1,040,465	\$ 1,014,278
Other local taxes	1,832,613	1,781,841	1,739,047	1,613,572	1,508,317	1,532,062	1,606,722	1,686,976	1,675,849	1,774,867
Permits and licenses	3,184	4,672	3,726	3,078	2,382	3,814	2,910	5,878	3,499	3,335
Fines and forfeitures	32,447	35,080	28,408	19,335	22,755	30,032	16,341	12,558	33,414	27,417
Investment earnings	16,401	14,228	14,456	46,659	16,038	15,953	24,982	19,452	62,886	31,193
Charges for services	441,755	394,574	504,912	450,749	441,186	426,097	420,051	450,850	489,360	533,541
Other revenues	147,254	15,289	70,322	113,552	38,470	246,530	249,204	43,786	74,123	67,603
recovered cost	126,919	128,075	122,675	121,525	121,000	146,301	134,263	133,237	395,328	155,712
Intergovernmental	1,215,041	1,381,883	1,231,738	1,772,320	2,307,137	1,333,234	1,561,831	2,839,147	2,050,562	2,345,824
<b>Total revenues</b>	<b>4,807,762</b>	<b>4,741,059</b>	<b>4,690,508</b>	<b>5,132,608</b>	<b>5,480,418</b>	<b>4,725,229</b>	<b>5,023,883</b>	<b>6,240,673</b>	<b>5,825,486</b>	<b>5,953,770</b>
<b>Expenditures</b>										
General government	794,343	832,597	850,119	928,404	918,390	898,907	941,923	849,769	892,681	917,452
Public safety	1,693,280	1,741,189	1,588,682	1,797,006	1,719,110	1,522,304	1,631,750	2,102,456	1,492,361	1,489,553
Public works	1,209,698	1,038,581	1,434,840	1,294,684	1,288,192	1,030,370	1,543,339	2,206,617	1,220,517	1,724,950
Health and welfare	27,639	27,892	29,003	34,398	32,417	25,299	33,439	34,168	33,835	34,134
Parks, recreation and culture	491,009	530,460	746,227	705,609	801,096	889,901	1,281,042	1,518,415	1,656,237	1,216,230
Community development	8,907	133,659	202,116	155,970	408,345	190,337	23,460	-	216,183	911,900
Non-Departmental	331	100	-	-	-	-	-	-	-	-
Debt service										
Principal	26,550	27,370	29,009	68,326	52,596	65,404	87,500	132,072	142,241	125,036
Interest	3,727	2,907	2,568	16,125	15,804	15,573	18,297	22,433	41,496	36,371
<b>Total expenditures</b>	<b>4,255,484</b>	<b>4,334,755</b>	<b>4,882,564</b>	<b>5,000,522</b>	<b>5,235,950</b>	<b>4,638,095</b>	<b>5,560,750</b>	<b>6,865,930</b>	<b>5,695,551</b>	<b>6,455,626</b>
<b>Excess of revenues over (under) expenditures</b>	<b>552,278</b>	<b>406,304</b>	<b>(192,056)</b>	<b>132,086</b>	<b>244,468</b>	<b>87,134</b>	<b>(536,867)</b>	<b>(625,257)</b>	<b>129,935</b>	<b>(501,856)</b>
<b>Other Financing Sources (Uses)</b>										
Proceeds from borrowing	-	-	236,000	92,302	12,698	123,500	365,700	630,000	-	73,100
Insurance Recoveries	22,907	9,088	6,524	10,502	8,349	2,779	62,461	24,680	8,054	26,850
Proceeds from sale of assets	-	-	-	-	-	-	13,589	25,913	5,859	3,559
<b>Total other financing sources (uses)</b>	<b>22,907</b>	<b>9,088</b>	<b>242,524</b>	<b>102,804</b>	<b>21,047</b>	<b>126,279</b>	<b>441,750</b>	<b>680,593</b>	<b>13,913</b>	<b>103,509</b>
<b>Net change in fund balance</b>	<b>\$ 575,185</b>	<b>\$ 415,392</b>	<b>\$ 50,468</b>	<b>\$ 234,890</b>	<b>\$ 265,515</b>	<b>\$ 213,413</b>	<b>\$ (95,117)</b>	<b>\$ 55,336</b>	<b>\$ 143,848</b>	<b>\$ (398,347)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>0.72%</b>	<b>0.70%</b>	<b>0.65%</b>	<b>1.72%</b>	<b>1.32%</b>	<b>1.78%</b>	<b>1.94%</b>	<b>2.30%</b>	<b>3.33%</b>	<b>2.56%</b>

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			
2019	\$ 184,201,766	\$ 28,570,899	\$ 61,400	\$ 10,015,324	\$ -	\$ 707,630	\$ 223,557,019	\$ 0.454
2018	179,664,082	27,966,892	82,415	9,671,654	-	893,200	218,278,243	0.813
2017	178,618,781	27,355,827	82,415	9,603,696	3,752	871,680	216,536,151	0.484
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

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
2019	\$ 0.44	\$ 0.62	\$ 0.62	\$ 0.44	\$ 0.44	\$ 0.62	\$ 0.69	\$ 1.65
2018	0.44	0.62	0.62	0.44	0.44	0.62	0.60	1.56
2017	0.44	0.62	0.62	0.44	0.44	0.62	0.60	1.56
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

1) Rates are presented per \$100 assessed value

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

**TABLE 7**

**June 30, 2019:**

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Percent of Real Estate Levy</u>
One Center Corp	Shopping center	\$ 4,387,700	2.46%
Heritage Hall Holding	Nursing home and elderly care	3,037,300	1.70%
Bunch Family Limited Partners	Investment Company	2,960,000	1.66%
Lonesome Pine Hospital	Health care	2,965,000	1.66%
Heritage Hall Holding	Nursing home and elderly care	1,576,900	0.88%
Cloverleaf Rentals (was Don Wax Estate)	Estate	1,114,800	0.62%
Powell Valley National Bank	Banking operation	1,086,500	0.61%
One Center Corp	Shopping center	948,600	0.53%
Cloverleaf Rentals (was Don Wax Estate)	Estate	965,400	0.54%
Management Properties Inc.	Investment Company	954,600	0.53%

**June 30, 2010:**

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

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
2019	\$ 1,035,196	\$ 863,998	83.46%	\$ 53,236	\$ 917,234	88.60%	\$ 257,163	24.84%
2018	1,010,919	897,286	88.76%	45,953	943,239	93.31%	261,215	25.84%
2017	1,002,161	872,903	87.10%	72,818	945,721	94.37%	241,115	24.06%
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%

(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	Wastewater			
			Bonds	Bonds			
2019	\$ 889,417	\$ -	\$ 9,385,585	\$ 4,146,476	\$ 14,421,478	6.58%	\$ 2,673
2018	941,354	-	9,402,573	4,363,036	14,706,963	7.12%	2,620
2017	1,083,595	-	9,587,035	4,625,478	15,296,108	17.64%	2,803
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

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

TABLE 10

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

Fiscal Years Ended June 30	General Bonded Debt	Percentage of Actual Taxable	
	Outstanding	Value of Property	Per Capita
	General		
	Obligation Bonds		
2019	\$ 4,754,830	2.13%	\$ 881
2018	4,863,696	2.23%	866
2017	9,545,008	4.41%	1,749
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

- 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**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Assessed valuations</b>										
Assessed value of taxed real property	\$ 173,298,221	\$ 174,834,870	\$ 176,093,320	\$ 176,690,845	\$ 177,662,445	\$ 178,283,162	\$ 178,591,550	\$ 178,618,781	\$ 179,664,082	\$ 184,201,766
<b>Legal debt margin</b>										
Debt limit - 10 percent of total assessed value	17,329,822	17,483,487	17,609,332	17,669,085	17,766,245	17,828,316	17,859,155	17,861,878	17,966,408	18,420,177
<b>Debt applicable to limitation</b>										
Total bonded debt	19,189,053	18,426,647	17,905,657	17,025,649	16,464,207	15,892,097	15,489,792	15,296,108	14,706,963	14,421,478
Less - water and wastewater revenue bonds	(8,110,008)	(7,630,250)	(7,142,940)	(6,655,140)	(6,318,332)	(6,134,193)	(5,945,197)	(5,751,100)	(9,843,267)	(9,666,648)
<b>Total amount of debt applicable to debt limitation</b>	11,079,045	10,796,397	10,762,717	10,370,509	10,145,875	9,757,904	9,544,595	9,545,008	4,863,696	4,754,830
<b>Legal debt margin</b>	\$ 6,250,777	\$ 6,687,090	\$ 6,846,615	\$ 7,298,576	\$ 7,620,370	\$ 8,070,412	\$ 8,314,560	\$ 8,316,870	\$ 13,102,712	\$ 13,665,347
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	63.93%	61.75%	61.12%	58.69%	57.11%	54.73%	53.44%	53.44%	27.07%	25.81%

TABLE 12

**TOWN OF BIG STONE GAP, VIRGINIA**  
**PLEDGED-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	
2019	\$ 2,588,762	\$ 1,137,572	\$ 1,451,190	\$ 340,911	\$ 256,319	\$ 597,230	2.43
2018	2,561,893	1,553,250	1,008,643	370,156	315,015	685,171	1.47
2017	2,624,186	1,606,342	1,017,844	390,237	342,740	732,977	1.39
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

Fiscal Years Ended June 30	Wastewater Revenue Bonds						
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2019	\$ 1,571,259	\$ 793,585	\$ 777,674	\$ 293,960	\$ 54,328	\$ 348,288	2.23
2018	1,482,793	1,092,388	390,405	286,439	63,775	350,214	1.11
2017	1,415,338	877,999	537,339	302,178	68,749	370,927	1.45
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

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

TABLE 13

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

Fiscal Years Ended June 30	Population	Personal Income	Per Capita Median Income	Median Age	School Enrollment	Unemployment Rate
2019	5,395	\$219,139,505	\$ 40,619	37.1	2,015	5.40%
2018	5,614	206,656,954	36,811	37.1	2,008	8.30%
2017	5,457	86,733,558	15,894	36.0	2,006	7.70%
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%

1) Source: census.gov fact finder, bestplaces.net, Wise County Public Schools

TABLE 14

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

**June 30, 2019**

<u>Employer</u>	<u>Product or Service</u>	<u>Total Estimated Employment*</u>
Wallens Ridge State Prison	Public Agency	450
Mountain Empire Community College	Public Agency	215
Lonesome Pine Regional Hospital	Health Care	206
Wise County Public Schools	Public Agency	292
Heritage Hall	Assisted Living	180

**June 30, 2010**

<u>Employer</u>	<u>Product or Service</u>	<u>Total Estimated Employment*</u>
Wallens Ridge State Prison	Public Agency	412
Lonesome Pine Hospital	Health Care	388
Mountain Empire Older Citizens	Public Agency	250
Riggs Oil Company	Fuel Distributor/Retail Sales	168

1) Source: Virginia Employment Commission

TABLE 15

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

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government										
Management services	1	1	1	1	1	1	1	1	1	1
Finance	2	2	2	3	3	3.5	4.5	5	4	4
Planning	0	0	0	0	0	0	0	0	0	0
Building	1	1	1	1	1	1	1	1	1	1
Other	6.5	7.5	5.5	4	4	3.5	3.5	3	3	3
Public safety										
Officers	16.5	16.5	16	15	15	15	13	15	13	13
Civilians	3	4	4	3	3	3	2	2	3	3
Public works										
Refuse collection	4	3	5	3	4	4	4	5	4	4
Streets	7	7	6	6	6	6	5	4	6	6
other	11	9	8.5	9	9.5	11	14	29	11	7.5
Parks and recreation										
Parks	5.5	6	7	2	5.5	5	6	6.5	5	5.5
Other	6	4	5	1	5	3.5	3.5	3	3	3
Visitors' Center										
Tourism								1	1	1
Other								1	1	2
Water operations	7.5	7	8	5	12.5	9	8.5	8	7	7
Wastewater operations	4	3.5	4	3	3.5	3.5	5	5.5	5.5	5.5

1) Source: Town's finance department

TABLE 16

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

<b>Function</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Public safety										
Citations written	1,288	1,420	1,326	694	1,188	1,161	891	754	772	859
Water operations										
Number of service connections	3,947	3,930	3,841	3,861	3,883	3,844	3,858	3,792	3,798	3,798
Average daily consumption in gallons	786,236	799,009	734,759	894,172	760,107	653,728	622,292	1,774,216	683,871	4,074,404
Maximum daily capacity of plant in gallons	3,180,000	4,000,000	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000
Wastewater operations										
Number of service connections	2,660	2,639	2,701	2,749	2,601	2,585	2,576	2,695	2,669	2,729
Average daily treatment in gallons	1,251,478	1,533,083	1,758,417	1,904,167	1,474,000	1,932,600	1,926,583	2,284,333	1,761,750	2,303,917
Maximum daily capacity of plant in gallons	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000

TABLE 17

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

<b>Function</b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
Public safety										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	10	11	10	10	11	11	13	13	15	15
Public works										
Streets (miles)	56	56	56	68	68.36	68	68	68	68	68
Streetlights	574	574	574	571	571	571	571	575	575	575
Traffic signals	7	7	7	7	7	7	7	7	7	7
Water operations										
Miles of water main	56	56	56	56	47.39	85	85	85	85	85
Number of fire hydrants	300	300	300	300	361	361	361	361	361	361
Wastewater operations										
Miles of sanitary sewers	12	12	12	12	34	34	34	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	7	7	7	7	7	7

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

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, 2019, 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 December 5, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements 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*.



We noted certain matters that we reported to management of the Town of Big Stone Gap, Virginia in a separate letter dated December 5, 2019.

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.

Roderick Moss & Co, PLLC

Norton, Virginia  
December 5, 2019

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, 2019, and have issued our report thereon dated December 5, 2019.

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

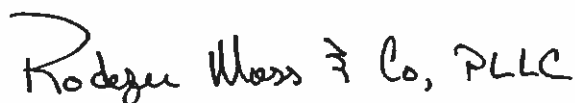
- |                                 |                      |
|---------------------------------|----------------------|
| * Budget and Appropriation Laws | * Debt Provisions    |
| * Cash and Investment Laws      | * Procurement        |
| * Conflicts of Interest         | * Unclaimed Property |
| * 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 not intended to be, and should not be, used by anyone other than these specified parties.



Norton, Virginia  
December 5, 2019

**Independent Auditor's Report on Compliance for Each  
Major Program and on Internal Control over Compliance  
Required by the Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Big Stone Gap, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2019. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on the compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Big Stone Gap's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

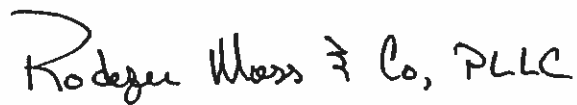
**Report on Internal Control Over Compliance**

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

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

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

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

Handwritten signature of Roderick W. Mass in black ink.

Norton, Virginia  
December 5, 2019

**TOWN OF BIG STONE GAP**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2019

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures
<b>DEPARTMENT OF TRANSPORTATION</b>			
Alcohol Open Container Requirements	20.607	DMV--154AL-2018	\$ 11,714
<b>APPALACHIAN REGIONAL COMMISSION</b>			
Appalachian Area Development	23.002	Virginia Department of Housing and Community Development, VA-18320	402,015
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Community Development Block Grants/State's Program	14.228		21,369
<b>DEPARTMENT OF AGRICULTURE</b>			
Water and Waste Disposal Systems for Rural Communities	10.760		330,931
Community Facilities Loans and Grants-Cluster	10.766		123,100
Total Department of Agriculture			454,031
<b>U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY</b>			
High Intensity Drug Trafficking Areas Program	95.001	Office of National Drug Control Policy, G18A90001A	139,487
<b>ENVIRONMENTAL PROTECTION AGENCY</b>			
Capitalization Grants for Drinking Water State Revolving Funds	66.468		276,864
Total Expenditures of Federal Awards			\$ 1,305,480

The accompanying notes are an integral part of this schedule.

**TOWN OF BIG STONE GAP**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2019

**NOTE A--BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) included the federal award activity of the Town of Big Stone Gap under programs of the federal government of the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the Town of Big Stone Gap, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Big Stone Gap.

**NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C--INDIRECT COST RATE**

The Town of Big Stone Gap has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**TOWN OF BIG STONE GAP**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2019**

**A) SUMMARY OF AUDIT RESULTS**

- 1) The auditor's report expresses an unmodified opinion on whether the financial statements of the Town of Big Stone Gap, Virginia were prepared in accordance with GAAP.
- 2) No significant deficiencies relating to the audit of the financial statements of the Town of Big Stone Gap, Virginia, are reported in the Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. No material weaknesses are reported.
- 3) No instances of non-compliance material to the financial statements of the Town of Big Stone Gap, Virginia, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- 4) No significant deficiencies in internal control over major federal award programs are disclosed in the Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance required by the Uniform Guidance. No material weaknesses are reported.
- 5) The Auditor's report on Compliance for the Major Federal Award Programs for the Town of Big Stone Gap, Virginia, expresses an unmodified opinion on all major federal programs.
- 6) Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
- 7) The programs tested as major programs were:  
*Appalachian Area Development--CFDA No. 23.002*
- 8) The threshold for distinguishing types A & B programs was \$750,000.
- 9) The Town of Big Stone Gap, Virginia, was determined to be a low-risk auditee.

**B) FINDINGS - FINANCIAL STATEMENTS AUDIT**

NONE

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

NONE