



ANNUAL COMPREHENSIVE FINANCIAL REPORT

Year Ended June 30, 2022

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

June 30, 2022

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)

July 11, 2023

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, 2022.

Financial Highlights

- The assets of the Town exceeded its liabilities at the end of the fiscal year by \$23,837,127 (net position). Of this amount, \$1,167,617 is unrestricted.
- At June 30, 2022, the Town reported combined ending fund balances of \$3,027,967, an increase of \$510,496 in comparison with the prior year. Approximately 36.35% of this total amount is available for spending at the Town Council's discretion (unassigned fund balance).
- As of June 30, 2022, the General Fund had a total Fund Balance of \$3,027,967.
- The Town of Big Stone Gap's total debt decreased by \$777,205 during the fiscal year. The total debt outstanding as of June 30, 2022 was \$12,518,399.
- As of June 30, 2022, the Town's Legal Debt Margin was \$18,767,492.
- The Water/Sewer Proprietary Fund had a decrease in Net Position for the year of \$271,602.

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, 2022

| | Governmental Activities | Business Type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| Current & other assets | \$ 8,311,713 | \$ 5,344,581 | \$ 13,656,294 |
| Capital assets | 9,468,726 | 25,330,823 | 34,799,549 |
| Other noncurrent assets | - | - | - |
| Deferred Outflows | 888,728 | 411,821 | 1,300,549 |
| Total Assets | \$ 18,669,167 | \$ 31,087,225 | \$ 49,756,392 |
| Current & other liabilities | \$ 5,150,692 | \$ 3,509,355 | \$ 8,660,047 |
| Long-term liabilities | 2,897,408 | 12,500,048 | 15,397,456 |
| Deferred Inflows | 1,214,110 | 646,652 | 1,860,762 |
| Total Liabilities | \$ 9,262,210 | \$ 16,656,055 | \$ 25,918,265 |
| Net Position: | | | |
| Invested in Capital assets (Net of related debt) | 8,908,559 | 13,372,591 | 22,281,150 |
| Restricted | 388,360 | - | 388,360 |
| Unrestricted | 110,038 | 1,058,579 | 1,168,617 |
| Total Net Position | \$ 9,406,957 | \$ 14,431,170 | \$ 23,838,127 |

Net position serves as a useful indicator of a government’s financial position. The Town’s combined net position totals \$23,838,127. 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 \$22,281,150. 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 \$695,040 non-spendable, \$1,116,559 restricted, \$85,710 committed, \$107,934 assigned, and \$1,022,724 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 \$919,961 Key elements of this increase are as follows:

| Governmental Activities Year Ended June 30, 2022 | |
|---|---------------------|
| Revenues: | |
| Program Revenues: | |
| Charges for Services | \$ 426,791 |
| Operating Grants and Contributions | 1,241,192 |
| Capital Grants and Contributions | 193,690 |
| General Revenues: | |
| Property Taxes | 1,048,074 |
| Other Local Taxes | 1,908,966 |
| Unrestricted Intergovernmental Revenue | 43,638 |
| Unrestricted Investment Earnings | 2,051 |
| Other | 1,072,517 |
| Total Revenues | \$ 5,936,919 |
| Expenses: | |
| General Government | \$ 964,758 |
| Public Safety | 1,538,049 |
| Public Works | 1,431,052 |
| Health and Welfare | 31,423 |
| Parks, Recreation, Culture | 812,703 |
| Community Development | 219,371 |
| Interest on Long Term Debt | 19,912 |
| Total Expenses | \$ 5,017,268 |
| Increase (Decrease) in Net Position | \$ 919,651 |

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

Fund Financial Statements

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

Governmental Fund Highlights:

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

| | <u>2022</u> | <u>2021</u> |
|---|----------------------------|----------------------------|
| General Property Taxes | \$ 1,036,768 | \$ 1,086,280 |
| Other Local Taxes | 1,908,966 | 1,809,940 |
| Permits, Privelege Fees and Regulatory Licenses | 2,443 | 1,877 |
| Fines and Forfeitures | 9,214 | 9,495 |
| Revenue From Use of Money and Property | 20,923 | 29,311 |
| Charges for Services | 426,791 | 458,030 |
| Miscellaneous | 69,468 | 28,175 |
| Recovered Costs | 169,059 | 128,739 |
| Inter-Governmental | 1,478,520 | 2,034,431 |
| Total Revenues | <u>\$ 5,122,152</u> | <u>\$ 5,586,278</u> |

The Town’s assessed value of real estate for the year was \$187,674,920. The real estate tax rate is \$0.44 per \$ 100 of assessed value. For the year, the percent of levy collected was 86.56%.

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 \$(271,602). Cash and cash equivalents decreased by \$131,033 to \$3,402,884.

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

| | <u>Final Budget</u> | <u>Actual</u> | <u>Favorable (Unfav.) Variance</u> |
|-------------------------------------|---------------------|----------------|--|
| Total Revenues | \$ 5,513,329 | \$ 5,122,152 | \$ (391,177) |
| Total Expenses | (5,837,609) | (5,419,049) | 418,560 |
| Total Other Financing | <u>324,280</u> | <u>807,393</u> | <u>483,113</u> |
| Excess of Revenues over Expenses | \$ - | \$ 510,496 | \$ 510,496 |

Additional information may be obtained by contacting the Town Manager, Mr. Stephen Lawson, or the Town Clerk/Treasurer, Ms. 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 Audit of 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 (the "Town"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Town as of June 30, 2022, and the respective changes in financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial

likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 60, and the required supplementary information and other supplementary, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 schedule of expenditures of federal awards as required by Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the roster of town officials, statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2023 on our consideration of the Town's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Rodger Messer & Co, PLLC

Norton, Virginia
July 11, 2023

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2022

EXHIBIT 1

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business Type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,522,603 | \$ 2,154,295 | \$ 3,676,898 |
| Receivables: | | | |
| Taxes | 215,978 | - | 215,978 |
| Accounts | 28,008 | 385,262 | 413,270 |
| Other | 120,397 | - | 120,397 |
| Prepaid expenses | - | - | - |
| Leases Receivable | 20,191 | - | 20,191 |
| Due from other governmental units | 2,780,432 | - | 2,780,432 |
| Internal Balances | 695,040 | (695,040) | - |
| Restricted Assets: | | | |
| Cash | 2,982,704 | 1,248,589 | 4,231,293 |
| Capital assets, depreciable, net | 6,687,600 | 24,217,967 | 30,905,567 |
| Capital assets, non-depreciable | 2,781,126 | 1,112,856 | 3,893,982 |
| | 17,834,079 | 28,423,929 | 46,258,008 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Outflows related to OPEB | 142,074 | - | 142,074 |
| Deferred Outflows related to Pensions | 693,014 | 411,821 | 1,104,835 |
| Total Deferred Outflows of Resources | 835,088 | 411,821 | 1,246,909 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 18,669,167 | \$ 28,835,750 | \$ 47,504,917 |
| LIABILITIES | | | |
| Accounts payable | 205,562 | 185,480 | 391,042 |
| Accrued liabilities and wages | 103,141 | 62,063 | 165,204 |
| Unearned Revenue - American Rescue Plan Act | 4,467,542 | - | 4,467,542 |
| Payable From Restricted Assets: | | | |
| Deposits | - | 168,685 | 168,685 |
| Drug task force reserve | 307,312 | - | 307,312 |
| Matured revenue interest | 3,716 | 96,873 | 100,589 |
| Long-term liabilities: | | | |
| Net pension liability | 1,569,144 | 931,444 | 2,500,588 |
| OPEB liability | 641,260 | 203,353 | 844,613 |
| Due within one year | 64,352 | 694,179 | 758,531 |
| Due in more than one year | 495,815 | 11,264,053 | 11,759,868 |
| Compensated absences: | | | |
| Due within one year | 63,419 | 50,600 | 114,019 |
| Due in more than one year | 126,837 | 101,198 | 228,035 |
| | 8,048,100 | 13,757,928 | 21,806,028 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Inflows - Leases | 19,824 | - | 19,824 |
| Deferred Inflows related to OPEB | 104,911 | - | 104,911 |
| Deferred Inflows related to Pensions | 1,089,375 | 646,652 | 1,736,027 |
| Total Deferred Inflows of Resources | 1,214,110 | 646,652 | 1,860,762 |
| NET POSITION | | | |
| Net investment in capital assets | 8,908,559 | 13,372,591 | 22,281,150 |
| Restricted | 388,360 | - | 388,360 |
| Unrestricted | 110,038 | 1,058,579 | 1,168,617 |
| | 9,406,957 | 14,431,170 | 23,838,127 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | \$ 18,669,167 | \$ 28,835,750 | \$ 47,504,917 |

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

| FUNCTIONS/PROGRAMS: | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---------------------------------------|--------------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | | |
| General government | \$ 964,758 | \$ - | \$ - | \$ - | \$ (964,758) | \$ - | \$ (964,758) |
| Public safety | 1,538,049 | 62,004 | 293,006 | - | (1,183,039) | - | (1,183,039) |
| Public works | 1,431,052 | 276,757 | 924,596 | - | (229,699) | - | (229,699) |
| Health and welfare | 31,423 | - | - | - | (31,423) | - | (31,423) |
| Parks, recreation, and cultural | 812,703 | 88,030 | 23,590 | - | (701,083) | - | (701,083) |
| Community development | 219,371 | - | - | 193,690 | (25,681) | - | (25,681) |
| Interest on long-term debt | 19,912 | - | - | - | (19,912) | - | (19,912) |
| Total Governmental Activities | 5,017,268 | 426,791 | 1,241,192 | 193,690 | (3,155,595) | - | (3,155,595) |
| Business-Type Activities: | | | | | | | |
| Water | 2,474,498 | 2,574,206 | - | 12,519 | - | 112,227 | 112,227 |
| Wastewater | 1,922,410 | 1,522,210 | - | 10,294 | - | (389,906) | (389,906) |
| Total Business-Type Activities | 4,396,908 | 4,096,416 | - | 22,813 | - | (277,679) | (277,679) |
| TOTAL PRIMARY GOVERNMENT | \$ 9,414,176 | \$ 4,523,207 | \$ 1,241,192 | \$ 216,503 | \$ (3,155,595) | \$ (277,679) | \$ (3,433,274) |
| | General Revenues: | | | | | | |
| | | | | | | | |
| | | | | | 1,048,074 | - | 1,048,074 |
| | | | | | 232,282 | - | 232,282 |
| | | | | | 117,805 | - | 117,805 |
| | | | | | 268,208 | - | 268,208 |
| | | | | | 136,645 | - | 136,645 |
| | | | | | 60,385 | - | 60,385 |
| | | | | | 72,812 | - | 72,812 |
| | | | | | 45,333 | - | 45,333 |
| | | | | | 9,927 | - | 9,927 |
| | | | | | 939,521 | - | 939,521 |
| | | | | | 1,152 | - | 1,152 |
| | | | | | 24,896 | - | 24,896 |
| | | | | | 43,638 | - | 43,638 |
| | | | | | 2,051 | 6,077 | 8,128 |
| | | | | | 14,940 | - | 14,940 |
| | | | | | 800,000 | - | 800,000 |
| | | | | | 169,059 | - | 169,059 |
| | | | | | 88,518 | - | 88,518 |
| | | | | | 4,075,246 | 6,077 | 4,081,323 |
| | | | | | 919,651 | (271,602) | 648,049 |
| | | | | | 8,487,306 | 14,702,772 | 23,190,078 |
| | | | | | \$ 9,406,957 | \$ 14,431,170 | \$ 23,838,127 |

The accompanying notes are an integral part of the financial statements

TOWN OF BIG STONE GAP, VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022

EXHIBIT 3

| | General Fund | American Rescue Plan Act Fund | Total |
|--|-------------------------|--|--------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,522,603 | \$ - | \$ 1,522,603 |
| Receivables: | | | |
| Taxes | 215,978 | - | 215,978 |
| Accounts | 28,008 | - | 28,008 |
| Other | 95,396 | - | 95,396 |
| Prepaid expenses | - | - | - |
| Due from other funds | 695,040 | - | 695,040 |
| Due from other governmental units | 118,164 | 2,662,268 | 2,780,432 |
| Restricted Assets: | | | |
| Cash | 1,163,435 | 1,819,269 | 2,982,704 |
| Total Assets | \$ 3,838,624 | \$ 4,481,537 | \$ 8,320,161 |
| LIABILITIES | | | |
| Accounts payable | \$ 191,567 | \$ 13,995 | \$ 205,562 |
| Accrued payroll and related liabilities | 103,141 | - | 103,141 |
| Unearned Revenue - American Rescue Plan Act | - | 4,467,542 | 4,467,542 |
| Payable From Restricted Assets: | | | |
| Drug task force reserve | 307,312 | - | 307,312 |
| Due to other funds | - | - | - |
| Total Liabilities | 602,020 | 4,481,537 | 5,083,557 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred property taxes | 208,637 | - | 208,637 |
| Total Deferred Inflows of Resources | 208,637 | - | 208,637 |
| FUND BALANCES: | | | |
| Nonspendable | 695,040 | - | 695,040 |
| Restricted | 1,116,559 | - | 1,116,559 |
| Committed | 85,710 | - | 85,710 |
| Assigned | 107,934 | - | 107,934 |
| Unassigned | 1,022,724 | - | 1,022,724 |
| Total Fund Balances | 3,027,967 | - | 3,027,967 |
| Total Liabilities, Deferred Inflow of Resources, and Fund Balances | \$ 3,838,624 | \$ 4,481,537 | \$ 8,320,161 |

TOWN OF BIG STONE GAP, VIRGINIA
 RECONCILIATION TO THE BALANCE SHEET OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
 Year Ended June 30, 2022

EXHIBIT 4

Total Fund Balances per Exhibit 3-Balance Sheet-Governmental Funds **\$ 3,027,967**

**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. 9,468,726

Other long-term assets are not available to pay for current-period
 expenditures and, therefore, are deferred in the funds. 234,005

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 | (560,167) |
| Accrued interest payable | (3,716) |
| Compensated Absences | (190,256) |

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 employer contributions | 7,948 |
| Deferred outflows of resources related to other postemployment benefits | 134,126 |
| Deferred inflows of resources related to other postemployment benefits | (104,911) |
| Net other postemployment benefit liability | (641,260) |

Financial statement elements related to pensions are applicable to
 future periods, and therefore, are not reported in the funds.

| | |
|---|--------------------|
| Deferred outflows of resources for employer contributions | 234,255 |
| Deferred outflows of resources related to pensions | 458,759 |
| Deferred inflows of resources related to pensions | (1,089,375) |
| Net pension liability | <u>(1,569,144)</u> |

Net Position of Governmental Activities **\$ 9,406,957**

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
Year Ended June 30, 2022

EXHIBIT 5

| | <u>General Fund</u> | <u>American Rescue Plan Act Fund</u> | <u>TOTAL</u> |
|--|-------------------------|--|------------------|
| REVENUES: | | | |
| General property taxes | \$ 1,036,768 | \$ - | \$ 1,036,768 |
| Other local taxes | 1,908,966 | - | 1,908,966 |
| Permits, privilege fees and regulatory licenses | 2,443 | - | 2,443 |
| Fines and forfeitures | 9,214 | - | 9,214 |
| Revenue from use of money and property | 20,923 | - | 20,923 |
| Charges for services | 426,791 | - | 426,791 |
| Miscellaneous | 69,468 | - | 69,468 |
| Recovered costs | 169,059 | - | 169,059 |
| Intergovernmental | 1,478,520 | 856,994 | 2,335,514 |
| Total Revenues | <u>5,122,152</u> | <u>856,994</u> | <u>5,979,146</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| General government administration | 935,107 | 366,514 | 1,301,621 |
| Public safety | 1,496,555 | 104,114 | 1,600,669 |
| Public works | 1,473,664 | 51,000 | 1,524,664 |
| Health and welfare | 31,423 | - | 31,423 |
| Parks, recreation and cultural | 1,161,436 | 335,366 | 1,496,802 |
| Community development | 219,371 | - | 219,371 |
| Debt Service: | | | |
| Principal retirement | 82,386 | - | 82,386 |
| Interest | 19,107 | - | 19,107 |
| Total Expenditures | <u>5,419,049</u> | <u>856,994</u> | <u>6,276,043</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(296,897)</u> | <u>-</u> | <u>(296,897)</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Sale of property | 800,000 | - | 800,000 |
| Insurance recoveries | 7,393 | - | 7,393 |
| Loan proceeds | - | - | - |
| Transfers in (out) | - | - | - |
| Total Other Financing Sources (Uses) | <u>807,393</u> | <u>-</u> | <u>807,393</u> |
| Net Change in Fund Balance | 510,496 | - | 510,496 |
| FUND BALANCE AT JULY 1 | <u>2,517,471</u> | <u>-</u> | <u>2,517,471</u> |
| FUND BALANCE AT JUNE 30 | <u>3,027,967</u> | <u>-</u> | <u>3,027,967</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, 2022

EXHIBIT 6

| | General Fund |
|--|--------------------------|
| Net Change in Fund Balance Governmental Fund: | \$ 510,496 |
| 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 | 733,137 |
| Depreciation expense | <u>(560,647)</u> |
| | <u>172,490</u> |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 7,374 |
| 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 | 82,386 |
| Proceeds from debt | - |
| Proceeds from capital lease | <u>-</u> |
| | <u>82,386</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 | (805) |
| Compensated absences | 35,309 |
| Other post-employment benefits | <u>47,707</u> |
| | <u>82,211</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 | 234,255 |
| Pension expense | <u>(169,561)</u> |
| | <u>64,694</u> |
| Change in Net Position of Governmental Activities | <u>\$ 919,651</u> |

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2022

EXHIBIT 7

| | Water Fund | Sewer Fund | TOTAL |
|---|-----------------------|-----------------------|----------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 872,427 | \$ 1,281,868 | \$ 2,154,295 |
| Receivables (Net of Allowance for Uncollectibles): | | | |
| Accounts | 245,910 | 139,352 | 385,262 |
| Accrued interest | - | - | - |
| Due from other funds | - | 1,556,435 | 1,556,435 |
| Due from other governmental units | - | - | - |
| Prepaid expenses | - | - | - |
| Restricted Assets: | | | |
| Cash | 957,106 | 291,483 | 1,248,589 |
| Capital assets, depreciable, net | 16,255,038 | 7,962,929 | 24,217,967 |
| Capital assets, non-depreciable | 1,042,856 | 70,000 | 1,112,856 |
| Total Assets | 19,373,337 | 11,302,067 | 30,675,404 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Deferred Outflows related to Pensions | 236,404 | 175,417 | 411,821 |
| Total Deferred Outflows of Resources | 236,404 | 175,417 | 411,821 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 19,609,741 | \$ 11,477,484 | \$ 31,087,225 |
| <u>LIABILITIES</u> | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 117,174 | \$ 68,306 | \$ 185,480 |
| Accrued wages and liabilities | 36,128 | 25,935 | 62,063 |
| Payable From Restricted Assets: | | | |
| Customer deposits | 168,685 | - | 168,685 |
| Due to other funds | 2,251,475 | - | 2,251,475 |
| Accrued interest payable | 74,043 | 22,830 | 96,873 |
| Bonds and notes payable | 432,459 | 261,720 | 694,179 |
| Compensated absences | 37,275 | 13,325 | 50,600 |
| Total Current Liabilities | 3,117,239 | 392,116 | 3,509,355 |
| Noncurrent liabilities: | | | |
| Bonds and notes payable | 8,200,807 | 3,063,246 | 11,264,053 |
| Compensated absences | 74,549 | 26,649 | 101,198 |
| OPEB liability | 113,808 | 89,545 | 203,353 |
| Net pension liability | 521,289 | 410,155 | 931,444 |
| Total Noncurrent Liabilities | 8,910,453 | 3,589,595 | 12,500,048 |
| Total Liabilities | 12,027,692 | 3,981,711 | 16,009,403 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Deferred Inflows related to Pensions | 361,903 | 284,749 | 646,652 |
| Total Deferred Inflows of Resources | 361,903 | 284,749 | 646,652 |
| <u>NET POSITION</u> | | | |
| Net investment in capital assets | 8,664,628 | 4,707,963 | 13,372,591 |
| Restricted | - | - | - |
| Unrestricted | (1,444,482) | 2,503,061 | 1,058,579 |
| Total Net Position | 7,220,146 | 7,211,024 | 14,431,170 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | \$ 19,609,741 | \$ 11,477,484 | \$ 31,087,225 |

TOWN OF BIG STONE GAP, VIRGINIA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2022

EXHIBIT 8

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>TOTAL</u> |
|--|-------------------------|----------------------|--------------------------|
| OPERATING REVENUES: | | | |
| Water usage fees | \$ 2,548,415 | - | \$ 2,548,415 |
| Sewer usage fees | - | 1,510,031 | 1,510,031 |
| Sale of labor and materials | - | - | - |
| Water and sewer tap fees | 4,000 | 2,710 | 6,710 |
| Miscellaneous | <u>21,791</u> | <u>9,469</u> | <u>31,260</u> |
| Total Operating Revenues | <u>2,574,206</u> | <u>1,522,210</u> | <u>4,096,416</u> |
| OPERATING EXPENSES: | | | |
| Personal services | 698,947 | 485,953 | 1,184,900 |
| Fringe benefits | 201,097 | 367,435 | 568,532 |
| Contractual services | 109,967 | 13,435 | 123,402 |
| Other charges | 667,867 | 621,489 | 1,289,356 |
| Depreciation | <u>600,685</u> | <u>381,145</u> | <u>981,830</u> |
| Total Operating Expenses | <u>2,278,563</u> | <u>1,869,457</u> | <u>4,148,020</u> |
| Operating Income (Loss) | <u>295,643</u> | <u>(347,247)</u> | <u>(51,604)</u> |
| NON-OPERATING REVENUES (EXPENSES) : | | | |
| Grant revenue | 12,519 | 10,294 | 22,813 |
| Interconnect revenue | - | - | - |
| Interest income | 4,076 | 2,001 | 6,077 |
| Interest expense | <u>(195,935)</u> | <u>(52,953)</u> | <u>(248,888)</u> |
| Total Non-Operating Revenue (Expenses) | <u>(179,340)</u> | <u>(40,658)</u> | <u>(219,998)</u> |
| CHANGE IN NET POSITION | <u>116,303</u> | <u>(387,905)</u> | <u>(271,602)</u> |
| NET POSITION AT JULY 1 | <u>7,103,843</u> | <u>7,598,929</u> | <u>14,702,772</u> |
| NET POSITION AT JUNE 30 | <u>\$ 7,220,146</u> | <u>7,211,024</u> | <u>\$ 14,431,170</u> |

TOWN OF BIG STONE GAP, VIRGINIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2022

EXHIBIT 9

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>TOTAL</u> |
|--|---------------------|-------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash received from customers | \$ 2,553,559 | 1,561,169 | \$ 4,114,728 |
| Cash payments to suppliers for goods and services | (696,682) | (656,923) | (1,353,605) |
| Cash payments to employees for services | (933,902) | (677,947) | (1,611,849) |
| Other operating income | 25,791 | 12,179 | 37,970 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>948,766</u> | <u>238,478</u> | <u>1,187,244</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | | |
| Increase (decrease) in customer deposits | 9,235 | - | 9,235 |
| (Increase) decrease in due from other funds/governments | - | - | - |
| Increase (decrease) in due to other funds | 9,000 | (9,000) | - |
| NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES | <u>18,235</u> | <u>(9,000)</u> | <u>9,235</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| (Increase) decrease in capital assets | (159,316) | (228,222) | (387,538) |
| (Increase) decrease in construction in progress | (40,920) | - | (40,920) |
| Principal paid on revenue bonds and equipment contracts | (433,895) | (260,924) | (694,819) |
| Principal advances from bond and note proceeds | - | - | - |
| Contributed capital and Grant revenue | 12,519 | 10,294 | 22,813 |
| Interest paid on revenue bonds and equipment contracts | (180,272) | (52,852) | (233,124) |
| NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(801,884)</u> | <u>(531,704)</u> | <u>(1,333,588)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest and dividends on investments | 4,075 | 2,001 | 6,076 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>4,075</u> | <u>2,001</u> | <u>6,076</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 169,192 | (300,225) | (131,033) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>1,660,341</u> | <u>1,873,576</u> | <u>3,533,917</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 1,829,533</u> | <u>1,573,351</u> | <u>\$ 3,402,884</u> |
| Displayed as: | | | |
| Cash and Cash Equivalents-Unrestricted | \$ 872,427 | 1,281,868 | \$ 2,154,295 |
| Restricted Cash | 957,106 | 291,483 | 1,248,589 |
| | <u>\$ 1,829,533</u> | <u>1,573,351</u> | <u>\$ 3,402,884</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | |
| Operating income (loss) | \$ 295,643 | (347,247) | \$ (51,604) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | | |
| Depreciation | 600,685 | 381,145 | 981,830 |
| Provision for compensated absences | 8,254 | 8,655 | 16,909 |
| Pension expense net of employer contributions | (31,518) | 142,488 | 110,970 |
| Other Post Employment Benefits | (20,375) | 14,669 | (5,706) |
| Change in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources: | | | |
| (Increase) decrease in accounts receivable | 5,144 | 51,138 | 56,282 |
| (Increase) decrease in prepaid expenses | - | - | - |
| Increase (decrease) in accounts payable | 81,152 | (21,999) | 59,153 |
| Increase (decrease) in wages payable | 9,781 | 9,629 | 19,410 |
| TOTAL ADJUSTMENTS | <u>653,123</u> | <u>585,725</u> | <u>1,238,848</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 948,766</u> | <u>238,478</u> | <u>\$ 1,187,244</u> |

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

June 30, 2022

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

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

Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, license, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real, and personal property taxes are recorded as revenues and receivable when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as unavailable revenues. All other revenue items are considered to be measurable and available only when cash is received by the government.

June 30, 2022

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 *American Rescue Plan Act Fund* is used to account for funds received under the American Rescue Plan Act.

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.

June 30, 2022

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, 2022.

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.”

Leases Receivable

Lease receivables are measured at the present value of lease payments expected to be received during the lease term at a borrowing rate either explicitly described in the agreement, or implicitly determined by the Town. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. The Town monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivables and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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 |

June 30, 2022

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

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

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.

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.

June 30, 2022

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

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

Fund Balances (Continued)

- **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.

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, 2022, and prior to the reporting date of June 30, 2023, have been reported as deferred outflows of resources in the Statement of Net Position as of June 30, 2023. 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, 2022 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.

June 30, 2022

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

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

Deferred Outflows/Inflows of Resources (Continued)

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.

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.

Adoption of new accounting standard

Effective July 1, 2021, the Town adopted Government Accounting Standards Board (GASB) Statement No. 87, *Leases*. The following discussion provides the Town's accounting policy regarding lease statements.

During the year of implementation of GASB 87, leases have been recognized and measured using the facts and circumstances that existed at the beginning of the year of implementation (i.e., as of July 1, 2021). The Town's leases in place at the implementation date had no prepayments (payments made at or before the commencement of the lease) and contained no incentives, as such, the lease receivable and lease liability have been recognized and measured at the same amount as the related deferred inflow of resources and right-to-use leases asset, respectively, as of the implementation date of (July 1, 2021). Therefore, no restatement of prior year net position was necessary.

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

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

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 independent auditors' report, which is the date these financial statements were available to be issued.

2. **RECEIVABLES**

Receivables at June 30 are as follows:

| | Governmental Activities | Business-Type Activities |
|------------------------------|------------------------------------|-------------------------------------|
| Receivables | | |
| Taxes | \$ 395,602 | \$ - |
| Accounts | 51,111 | 703,045 |
| Other | 120,397 | - |
| Gross Receivables | <u>567,110</u> | <u>703,045</u> |
| Less: | | |
| Allowance for uncollectibles | <u>(202,727)</u> | <u>(317,783)</u> |
| Net total receivables | <u>\$ 364,383</u> | <u>\$ 385,262</u> |

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$520,510 at June 30, 2022, and is composed of the following:

| | |
|--|-------------------|
| General Fund: | |
| Allowance for uncollectible property taxes | \$ 179,624 |
| Allowance for uncollectible garbage fees | <u>23,103</u> |
| Total General Fund | <u>\$ 202,727</u> |
| Water and Sewer Fund: | |
| Allowance for uncollectible water fee billings | \$ 202,839 |
| Allowance for uncollectible sewer fee billings | <u>114,944</u> |
| Total Water and Sewer Fund | <u>\$ 317,783</u> |

3. **DEPOSITS AND INVESTMENTS**

Deposits

All cash of the Town is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 *et seq.* of the *Code of Virginia*, and covered by Federal Deposit Insurance Corporation (FDIC). Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

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 | 97% |
|-----------------------------|-----|

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, 2022, 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 | | 5,841,558 |
| Certificates of deposit | | 2,066,033 |
| | \$ | <u>7,908,191</u> |

Statement of net position:

| | | |
|--------------------------------------|----|------------------|
| Cash and cash equivalents | \$ | 3,676,898 |
| Restricted cash and cash equivalents | | 4,231,293 |
| | \$ | <u>7,908,191</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, 2022

5. DUE FROM OTHER GOVERNMENTAL UNITS

| | | | |
|---|--|---------------|---------------------|
| Federal: | | | |
| ARPA | | \$ 2,662,268 | |
| Byrne | | 17,410 | |
| DCJS | | <u>1,956</u> | |
| Total Federal | | | \$ 2,681,634 |
| Commonwealth of Virginia: | | | |
| Local sales tax | | 60,568 | |
| Big Cherry Grant | | 4,000 | |
| HIDTA Grant | | 1,074 | |
| Department of Motor Vehicles Grant | | 915 | |
| Auto rental tax | | 515 | |
| Communication tax | | <u>21,858</u> | |
| Total Commonwealth of Virginia | | | 88,930 |
| Wise County: | | | |
| Coal severance taxes | | 9,634 | |
| Court fines/transfer fees | | <u>234</u> | |
| Total Wise County | | | <u>9,868</u> |
| Total Due From Other Governmental Units | | | <u>\$ 2,780,432</u> |

6. LEASES RECEIVABLE

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. 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. For additional information, refer to the disclosures below:

On June 1, 2022, the Town entered into a 55 month lease as Lessor for the use of 706 Cherokee Avenue. An initial lease receivable was recorded in the amount of \$20,191. As of June 30, 2022, the value of the lease receivable is \$20,101. The lessee is required to make monthly fixed payment of \$300. The lease has an interest rate of 2.7970%. The value of the deferred inflow of resources as of June 30, 2022 was \$19,824, and the Town recognized lease revenue of \$367 during the fiscal year. The lessee has 1 extension option, each year for 60 months.

The following is a schedule of lease activity of the Town for the year ended June 30, 2022:

| | Balance as of 7/1/2021 | Additions | Reductions | Balance as of 6/30/2022 |
|------------------------------|---------------------------|------------------|---------------|----------------------------|
| Lease Receivable | | | | |
| 706 Cherokee Avenue | \$ - | \$ 20,191 | \$ - | \$ 20,191 |
| | <u>\$ -</u> | <u>\$ 20,191</u> | <u>\$ -</u> | <u>\$ 20,191</u> |
| | Balance as of 7/1/2021 | Additions | Reductions | Balance as of 6/30/2022 |
| Deferred Inflow of Resources | | | | |
| 706 Cherokee Avenue | \$ - | \$ 20,191 | \$ 367 | \$ 19,824 |
| | <u>\$ -</u> | <u>\$ 20,191</u> | <u>\$ 367</u> | <u>\$ 19,824</u> |

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

6. LEASES RECEIVABLE (Continued)

Future collection of the lease receivable is as follows:

| Year(s) Ending June 30, | Totals | |
|----------------------------|------------------|-----------------|
| | Principal | Interest |
| 2023 | \$ 3,527 | \$ 523 |
| 2024 | 4,086 | 414 |
| 2025 | 4,655 | 296 |
| 2026 | 5,245 | 155 |
| 2027 | 2,678 | 22 |
| Totals | <u>\$ 20,191</u> | <u>\$ 1,410</u> |

7. INTERFUND OBLIGATIONS

| | Due From | Due To |
|---------------|---------------------|---------------------|
| General Fund: | | |
| Water Fund | \$ 695,040 | |
| Water Fund: | | |
| General Fund | | 695,040 |
| Sewer Fund | | 1,556,435 |
| Sewer Fund: | | |
| Water Fund | 1,556,435 | |
| Totals | <u>\$ 2,251,475</u> | <u>\$ 2,251,475</u> |

8. CAPITAL ASSETS

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

| | |
|---|-------------------|
| Governmental activities: | |
| General government | \$ 90,515 |
| Public safety | 147,784 |
| Public works | 111,782 |
| Parks, recreation, and cultural | 210,566 |
| Total depreciation expense - governmental activities | <u>\$ 560,647</u> |
| Business-type activities: | |
| Water and sewer | \$ 981,830 |
| Total depreciation expense - business-type activities | <u>\$ 981,830</u> |

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

9. CHANGES IN CAPITAL ASSETS

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

| Governmental Activities | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|---------------------|---------------------|---------------------------|
| Capital assets, depreciable | | | | |
| Buildings and improvements | \$ 3,856,367 | \$ 854,766 | \$ - | \$ 4,711,133 |
| Infrastructure | 8,154,506 | 27,570 | - | 8,182,076 |
| Equipment | 4,239,276 | 213,759 | - | 4,453,035 |
| Total Capital Assets, Depreciable | \$ 16,119,575 | \$ 1,096,095 | \$ - | \$ 17,346,244 |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | \$ 2,260,950 | \$ 123,676 | \$ - | \$ 2,384,626 |
| Infrastructure | 4,612,827 | 163,754 | - | 4,776,581 |
| Equipment | 3,224,220 | 273,217 | - | 3,497,437 |
| Total accumulated depreciation | 9,576,881 | 560,647 | - | 10,658,644 |
| Total Capital Assets, depreciable, net | \$ 6,542,694 | \$ 535,448 | \$ - | \$ 6,687,600 |
| Capital assets, non-depreciable | | | | |
| Land | \$ 2,620,893 | \$ - | \$ - | \$ 2,620,893 |
| Construction in progress | 523,191 | 90,059 | (453,017) | 160,233 |
| Total Capital Assets, Non-depreciable | \$ 2,788,215 | \$ 90,059 | \$ (453,017) | \$ 2,781,126 |
| Business-Type Activities | Beginning Balance | Increases | Decreases | Ending Balance |
| Capital assets, depreciable | | | | |
| Buildings and improvements | \$ 337,615 | \$ - | \$ - | \$ 337,615 |
| Improvements | 50,268,227 | 92,094 | - | 50,360,321 |
| Equipment | 2,062,639 | 295,451 | - | 2,358,090 |
| Total Capital Assets, Depreciable | \$ 52,380,329 | \$ 387,545 | \$ - | \$ 53,056,026 |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | \$ 236,683 | \$ 3,653 | \$ - | \$ 240,336 |
| Improvements | 26,125,703 | 846,051 | - | 26,971,754 |
| Equipment | 1,493,843 | 132,126 | - | 1,625,969 |
| Total accumulated depreciation | 26,671,409 | 981,830 | - | 28,838,059 |
| Total Capital Assets, depreciable, net | \$ 25,708,920 | \$ (594,285) | \$ - | \$ 24,217,967 |
| Capital assets, non-depreciable | | | | |
| Land | \$ 880,000 | \$ - | \$ - | \$ 880,000 |
| Construction in progress | 191,942 | 40,914 | - | 232,856 |
| Total Capital Assets, Non-depreciable | \$ 1,024,325 | \$ 40,914 | \$ - | \$ 1,112,856 |

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

10. **LONG-TERM DEBT**

The Town purchases various types of equipment and facilities under other financing agreements. These were previously considered capital leases but are now categorized as notes payable with the implementation of GASB 87.

The annual requirements to amortize governmental debt outstanding as of June 30, 2022, are as follows:

| Year Ending June 30, | Governmental Activities | |
|----------------------------|-------------------------|-------------------|
| | Notes | |
| | Principal | Interest |
| 2023 | \$ 64,352 | \$ 23,049 |
| 2024 | 58,958 | 20,449 |
| 2025 | 52,955 | 18,044 |
| 2026 | 49,945 | 15,918 |
| 2027 | 49,577 | 13,857 |
| 2028-2032 | 278,343 | 35,092 |
| 2033 | 6,037 | 211 |
| Totals | \$ 560,167 | \$ 126,620 |

The annual requirements to amortize proprietary debt outstanding as of June 30, 2022, are as follows:

| Years Ending June 30, | General Obligation Bonds | | Revenue Bonds | | Total Water Fund Debt | |
|--------------------------|--------------------------|-------------------|---------------------|---------------------|-----------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2023 | \$ 48,324 | \$ 15,908 | \$ 384,135 | \$ 181,848 | \$ 432,459 | \$ 197,756 |
| 2024 | 48,795 | 15,425 | 393,274 | 172,795 | 442,069 | 188,220 |
| 2025 | 49,279 | 14,929 | 401,416 | 163,531 | 450,695 | 178,460 |
| 2026 | 49,775 | 14,418 | 410,562 | 153,910 | 460,337 | 168,328 |
| 2027 | 50,285 | 13,894 | 459,710 | 144,181 | 509,995 | 158,075 |
| 2028-2032 | 259,564 | 60,898 | 2,468,907 | 553,534 | 2,728,471 | 614,432 |
| 2033-2037 | 274,521 | 45,612 | 2,782,985 | 238,061 | 3,057,506 | 283,673 |
| 2038-2042 | 201,885 | 27,871 | 44,322 | 19,423 | 246,207 | 47,294 |
| 2043-2047 | 90,590 | 9,660 | 49,691 | 14,903 | 140,281 | 24,563 |
| 2048-2052 | 55,523 | 9,937 | 32,652 | 1,329 | 88,175 | 11,266 |
| 2053-2057 | 60,974 | 4,486 | - | - | 60,974 | 4,486 |
| 2058-2062 | 16,097 | 207 | - | - | 16,097 | 207 |
| Totals | \$ 1,205,612 | \$ 233,245 | \$ 7,427,654 | \$ 1,643,515 | \$ 8,633,266 | \$ 1,876,760 |

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

| Years Ending June 30, | General Obligation Bonds | | Revenue Bonds | | Notes Payable | |
|--------------------------|--------------------------|-------------|---------------------|-------------------|------------------|-----------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2023 | \$ 205,721 | \$ - | \$ 39,342 | \$ 49,778 | \$ 16,657 | \$ 1,165 |
| 2024 | 205,721 | - | 39,342 | 49,778 | 7,182 | 176 |
| 2025 | 205,721 | - | 39,342 | 49,778 | - | - |
| 2026 | 205,721 | - | 39,671 | 49,778 | - | - |
| 2027 | 205,721 | - | - | 49,120 | - | - |
| 2028-2032 | 621,825 | - | 389,000 | 239,380 | - | - |
| 2033-2037 | - | - | 1,104,000 | 111,301 | - | - |
| Totals | \$ 1,650,430 | \$ - | \$ 1,650,697 | \$ 598,913 | \$ 23,839 | \$ 1,341 |

| Years Ending June 30, | Total Sewer Fund Debt | |
|--------------------------|-----------------------|-------------------|
| | Principal | Interest |
| 2023 | \$ 261,720 | \$ 50,943 |
| 2024 | 252,245 | 49,954 |
| 2025 | 245,063 | 49,778 |
| 2026 | 245,392 | 49,778 |
| 2027 | 205,721 | 49,120 |
| 2028-2032 | 1,010,825 | 239,380 |
| 2033-2037 | 1,104,000 | 111,301 |
| Totals | \$ 3,324,966 | \$ 600,254 |

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, 2022:

| | INSTALLMENT NOTE | GENERAL OBLIGATION, REVENUE BONDS & NOTES | | TOTAL |
|---|---------------------|--|---------------------|----------------------|
| | Governmental Notes | Water | Sewer | |
| Bonds/loans payable at July 1, 2021 | \$ 642,554 | \$ 9,067,161 | \$ 3,585,890 | \$ 13,295,605 |
| Issuances | - | - | - | - |
| Retirements | (82,387) | (433,895) | (260,924) | (777,206) |
| Bonds/loans payable at June 30, 2022 | \$ 560,167 | \$ 8,633,266 | \$ 3,324,966 | \$ 12,518,399 |

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

10. **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, 2022:

| | <u>Compensated Absences</u> | |
|--------------------------|-----------------------------|----------------------|
| | <u>Governmental</u> | <u>Business-Type</u> |
| Payable at June 30, 2021 | \$ 225,565 | \$ 134,889 |
| Additions | - | - |
| Reductions | <u>(35,309)</u> | <u>16,909</u> |
| Payable at June 30, 2022 | <u>\$ 190,256</u> | <u>\$ 151,798</u> |

Details of Long-Term Indebtedness

Governmental Fund:

Notes Payable – direct borrowings:

\$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. \$ 109,664

\$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. 23,921

\$440,000 governmental fund notes payable issued April 1, 2021, to Powell Valley National Bank with interest of 1.875% for the refinancing on acquisition of a fire truck. Annual payments of principal due annual commencing April 1, 2022 and continuing annually for a period of ten years with semi-annual interest payments starting October 1, 2021. 403,000

\$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. 10,567

\$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. 13,015

TOTAL GOVERNMENTAL FUND LONG-TERM DEBT \$ 560,167

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

Details of Long-Term Indebtedness (Continued)

| Enterprise Fund: | <u>Water</u> | <u>Sewer</u> |
|--|--------------|--------------|
| General Obligation Bonds: | | |
| \$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. | -- | 41,936 |
| \$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. | 508,399 | -- |
| \$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. | -- | 1,608,493 |
| \$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. | 285,884 | -- |
| \$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. | 67,292 | -- |
| 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. | 344,037 | -- |
| Revenue Bonds: | | |
| \$4,424,000 water revenue bond issued in 2021 to Powell Valley National Bank with interest at 1.85%. The issuance is a refunding of two revenues bonds from 2018. Interest payments are due semi-annually on April 1, and October 1 beginning April 1, 2022. Principal payments are due annually beginning April 1, 2022 and ending April 1, 2037. | 4,201,000 | -- |
| \$4,224,000 water revenue bond issued in 2018 to Powell Valley National Bank with interest at 3.29%. Final payment is due 2037. | 2,479,000 | 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. | 514,743 | -- |

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

June 30, 2022

10. LONG-TERM DEBT (Continued)

Details of Long-Term Indebtedness

| Enterprise Fund: | <u>Water</u> | <u>Sewer</u> |
|--|----------------------------|---------------------------|
| Revenue Bonds: | | |
| \$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. | -- | 137,698 |
| \$241,700 water revenue bonds issued in 2019 to Virginia Resource Authority, with interest at 2.30% payable in installments for a period of 30 years until paid. Currently in drawdown phase and not yet due. | 232,911 | -- |
| Notes Payable: | | |
| \$77,400 other financing agreement for backhoe loaders with Carter Machinery. Sixty monthly payments of \$1,473.06 from September 25, 2018. | -- | 23,839 |
| | <u> </u> | <u> </u> |
| TOTAL ENTERPRISE FUNDS LONG-TERM DEBT | <u>\$ 8,633,266</u> | <u>\$3,324,966</u> |

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 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 revenue of the General Fund. The outstanding revenue 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, 2022

11. FUND BALANCES—GOVERNMENTAL FUNDS

As of June 30, 2022, fund balances are composed of the following:

| | <u>General Fund</u> | <u>Total Governmental Funds</u> |
|-------------------------|---------------------|---------------------------------|
| Nonspendable: | | |
| Due from internal funds | \$ 695,040 | \$ 695,040 |
| Restricted: | | |
| Law Enforcement | 312,969 | 312,969 |
| Glencoe Cemetery | 36,566 | 36,566 |
| Community Development | 767,024 | 767,024 |
| Committed: | | |
| Law Enforcement | 1,653 | 1,653 |
| Fire Department | 44,700 | 44,700 |
| Public Works | 23,757 | 23,757 |
| Parks and Recreation | 15,600 | 15,600 |
| Assigned: | | |
| Law Enforcement | 29,664 | 29,664 |
| Fire Department | 15,728 | 15,728 |
| Public Works | 57,279 | 57,279 |
| Parks and Recreation | 5,263 | 5,263 |
| Unassigned | <u>1,022,724</u> | <u>1,022,724</u> |
| Total fund balances | <u>\$ 3,027,967</u> | <u>\$ 3,027,967</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, 2022

12. **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 \$190,256 in the Governmental Activities, and \$151,798 in the Water and Sewer Funds.

13. **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:

June 30, 2022

13. Defined Benefit Pension Plan (Continued)

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

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

June 30, 2022

13. 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>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>Retirement Contributions 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>Retirement Contributions Same as Plan 1.</p> | <p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p> |
| <p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> | <p>Creditable Service Same as Plan 1.</p> | <p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. <u>Defined Contributions Component:</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, 2022

13. Defined Benefit Pension Plan (Continued)

| | | |
|---|--|---|
| <p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.</p> | <p>Vesting Same as Plan 1.</p> | <p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. <u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined 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"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.</p> |
| <p>Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In</p> | <p>Calculating the Benefit See definition under Plan 1.</p> | <p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1. <u>Defined Contribution Component:</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, 2022

13. Defined Benefit Pension Plan (Continued)

| | | |
|---|--|---|
| cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied. | | employer, plus net investment earnings on those contributions. |
| Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee. | Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee. | Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan. |
| Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. | Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. | Service Retirement Multiplier Defined Benefit Component: VRS: 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. |
| Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85% Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer. | Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1. | Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Not applicable. |
| Normal Retirement Age VRS: Age 65. Political subdivisions hazardous duty employees: Age 60. | Normal Retirement Age VRS: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1. | Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions. |
| Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. | Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. | Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service |

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

June 30, 2022

13. Defined Benefit Pension Plan (Continued)

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

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

13. Defined Benefit Pension Plan (Continued)

| | | |
|---|---|---|
| <p>following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. • The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. | | |
| <p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.</p> | <p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> | <p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> |
| <p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase</p> | <p>Purchase of Prior Service Same as Plan 1.</p> | <p>Purchase of Prior Service Defined Benefit Component: Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <p>Defined Contribution Component: Not applicable.</p> |

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

June 30, 2022

13. Defined Benefit Pension Plan (Continued)

| | | |
|---|--|--|
| prior service. Members also may be eligible to purchase periods of leave without pay. | | |
|---|--|--|

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TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

13. DEFINED BENEFIT PENSION PLAN (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | <u>Number</u> |
|--|-------------------|
| Inactive members or their beneficiaries currently receiving benefits | <u>69</u> |
| Inactive members: | |
| Vested inactive members | 4 |
| Non-vested Inactive members | 30 |
| Inactive members active elsewhere in VRS | <u>32</u> |
| Total inactive members | 66 |
| Active members | <u>54</u> |
| Total covered employees | <u><u>189</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.

The Town's contractually required contribution rate for the year ended June 30, 2022 was 19.16% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$390,344 and \$372,709 for the years ended June 30, 2022 and June 30, 2021, 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, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020 rolled forward to the measurement date of June 30, 2021.

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

June 30, 2022

13. 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, 2020, 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, 2021.

| | |
|---------------------------------------|--|
| Inflation | 2.5 percent |
| Salary increases, including inflation | 3.5 percent – 5.35 percent |
| Investment rate of return | 6.75 percent, net of pension plan investment expenses, including inflation |

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employees Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

13. 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, 2020, 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, 2021.

| | |
|---------------------------------------|--|
| Inflation | 2.5 percent |
| Salary increases, including inflation | 3.5 percent – 4.75 percent |
| Investment rate of return | 6.75 percent, net of pension plan investment expenses, including inflation |

Mortality rates:

Largest 10 -Hazardous Duty: 70% of deaths are assumed to be service-related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employees Rates projected generationally with Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. 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 PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decrease rates |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

13. 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:

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return* |
|--|--------------------------------------|---|--|
| Public Equity | 34.00% | 5.00% | 1.70% |
| Fixed Income | 15.00% | 0.57% | 0.09% |
| Credit Strategies | 14.00% | 4.49% | 0.63% |
| Real Assets | 14.00% | 4.76% | 0.67% |
| Private Equity | 14.00% | 9.94% | 1.39% |
| MAPS - Multi - Asset Public Strategies | 6.00% | 3.29% | 0.20% |
| PIP - Private Investment Partnership | 3.00% | 6.84% | 0.21% |
| | 100.00% | | 4.89% |
| | Inflation | | 2.50% |
| | * Expected arithmetic nominal return | | 7.39% |

* The above allocation provides a one-year return of 7.39%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at the time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2021, on, participating employers are assumed to continue 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, 2022

13. DEFINED BENEFIT PENSION PLAN (Continued)

Changes in Net Pension Liability

| | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability</u> |
|--|------------------------------------|--|----------------------------------|
| Balances at June 30, 2020 | \$ 14,318,814 | \$ 10,186,897 | \$ 4,131,917 |
| Changes for the year: | | | |
| Service cost | 205,982 | | 205,982 |
| Interest | 937,578 | | 937,578 |
| Changes in benefit terms | - | | - |
| Changes of assumptions | 532,458 | | 532,458 |
| Difference between expected and actual experience | (129,026) | | (129,026) |
| Contributions - employer | - | 356,148 | (356,148) |
| Contributions - employee | - | 89,856 | (89,856) |
| Net investment income | - | 2,739,083 | (2,739,083) |
| Benefit payments, including refunds of employee contributions | (857,526) | (857,526) | - |
| Administrative expense | - | (7,023) | 7,023 |
| Other changes | - | 257 | (257) |
| Net changes | <u>689,466</u> | <u>2,320,795</u> | <u>(1,631,329)</u> |
| Balances at June 30, 2021 | <u>\$ 15,008,280</u> | <u>\$ 12,507,692</u> | <u>\$ 2,500,588</u> |

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

| | <u>1.00% Decrease 5.75%</u> | <u>Current Discount 6.75%</u> | <u>1.00% Increase 7.75%</u> |
|-----------------------|---------------------------------|-----------------------------------|---------------------------------|
| Net Pension Liability | <u>\$ 42,753,401</u> | <u>\$ 2,500,588</u> | <u>\$ 1,024,788</u> |

June 30, 2022

13. **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, 2022, the Town recognized pension expense of \$420,744. At June 30, 2022, 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 | \$ 112,199 | \$ 74,585 |
| Change in assumptions | 307,792 | - |
| Net difference between projected and actual earnings on pension plan investments | 311,088 | 1,661,442 |
| Employer contributions subsequent to the measurement date | 373,756 | - |
| Total | <u>\$ 1,104,835</u> | <u>\$ 1,736,027</u> |

\$373,756 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| <u>Year ended June 30</u> | |
|---------------------------|-----------------------|
| 2023 | \$ (33,432) |
| 2024 | (243,900) |
| 2025 | (314,500) |
| 2026 | (413,116) |
| 2027 | - |
| Thereafter | - |
| | <u>\$ (1,004,948)</u> |

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan's is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (ACFR). A copy of the 2021 VRS ACFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-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, 2022, the Town reported a payable of \$35,793 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

June 30, 2022

14. **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, 2022 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | <u>Number</u> |
|-------------------------|------------------|
| Active members | 48 |
| Retired members | <u>5</u> |
| Total covered employees | <u><u>53</u></u> |

Total OPEB Liability

The Town's Total OPEB Liability of \$545,929 was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2022 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, 2021 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 | 2.16 percent per year |
| Healthcare cost trend rates | 4.70 percent in year 1, 4.80 percent in year 2, 4.70 percent in year 3, 4.60 percent in year 4, 4.5 percent in year 5, 4.40 to 4.20 percent thereafter |
| Retirees' share of benefit-Related costs | 100% of projected health insurance premiums for retirees |

TOWN OF BIG STONE GAP, VIRGINIA
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June 30, 2022

14. 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:

Pub-2010 Public Retirement Plans Mortality Tables, with mortality Improvement projected for 10 years

Changes in Total OPEB Liability

| | Total OPEB Liability |
|---|-------------------------|
| Balances at June 30, 2021 | \$ 613,903 |
| Changes for the year: | |
| Service cost | 35,443 |
| Interest | 13,727 |
| Effect of Economic/Demographic Gains or loses | (40,451) |
| Changes of assumptions | (48,841) |
| Difference between expected and actual experience | - |
| Benefit payments, including refunds of employee contributions | (27,852) |
| Net changes | (67,974) |
| Balances at June 30, 2022 | \$ 545,929 |

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 3.45%, 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 (2.45%) or one percentage point higher (4.45%) than the current rate:

| | <u>1.00% Decrease</u> | <u>Current Discount</u> | <u>1.00% Increase</u> |
|----------------------|-----------------------|-------------------------|-----------------------|
| Total OPEB Liability | \$ 583,678 | \$ 545,929 | \$ 509,826 |

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 | \$ 495,221 | \$ 545,929 | \$ 602,692 |

June 30, 2022

14. **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, 2022, the Town recognized OPEB expense (benefit) of \$(40,122). 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, 2022.

15. **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 Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

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, 2019. 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: | <i>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.</i> |
| Total rate: | \$722.55 per covered full-time-equivalent employee. Based on pay-as-you-go funding rate. |
| June 30, 2022 Contribution | \$ 7,948 |
| June 30, 2021 Contribution | \$ 9,325 |

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

The net OPEB liabilities were measured as of June 30, 2021 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, 2022 proportionate share of liability | \$ 298,684 |
| June 30, 2021 proportion | 0.06232 % |
| June 30, 2022 proportion | 0.06773 % |
| June 30, 2022 expense | \$ 23,273 |

**TOWN OF BIG STONE GAP, VIRGINIA
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June 30, 2022

**15. 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, 2022, 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 | \$ 24,902 | \$ 45,223 |
| Difference between projected and actual earnings | - | 1,730 |
| Changes in proportionate share | 26,568 | 43,671 |
| Changes in assumptions or other inputs | 82,656 | 14,287 |
| Employer contributions subsequent to the measurement date | 7,948 | - |
| Total | <u>\$ 142,074</u> | <u>\$ 104,911</u> |

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, 2023. 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> |
|--------------------------------|---|
| 2023 | \$ 2,630 |
| 2024 | 2,709 |
| 2025 | 2,733 |
| 2026 | 2,758 |
| 2027 | 4,012 |
| Thereafter | 14,373 |
| | <u>\$ 29,215</u> |

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

June 30, 2022

**15. 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 | N/A |
| • Locality – hazardous duty employees | N/A |
| Medical cost trend rates: | |
| • Under age 65 | 7.00 – 4.75% |
| • Ages 65 and older | 5.375 – 4.75% |
| Year of ultimate trend rate: | |
| • Under age 65 | Fiscal year ended 2029 |
| • Ages 65 and older | Fiscal year ended 2024 |
| Investment rate of return, net of expenses, including inflation* | 2.16% |

* Since LODA is funded on a current-disbursement basis, the assume annual rate of return of 2.16% was used since it approximates the risk-free rate of return.

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 13.

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.

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 the Measurement Date of June 30, 2021, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

| | Line of Duty Act Program |
|---|---------------------------------|
| Total OPEB Liability | \$ 448,542 |
| Plan fiduciary net position | 7,553 |
| Employers’ net OPEB liability (asset) | \$ 440,989 |
| Plan fiduciary net position as a percentage of total OPEB liability | 1.68% |

June 30, 2022

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program’s investments was set at 2.16% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments’ 6.75% assumption. Instead, the assumed annual rate of return of 2.16% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20- year Municipal Bond Index as of the measurement date of June 30, 2021.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 2.16%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2021, the rate contributed by participating employers to the LODA OPEB Program 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 covered employer’s proportionate share of the net LODA OPEB liability using the discount rate of 2.16%, as well as what the covered employer’s proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current rate:

| | <u>1.00% Decrease</u> | <u>Current Discount</u> | <u>1.00% Increase</u> |
|-------------------------|-----------------------|-------------------------|-----------------------|
| Net LODA OPEB Liability | \$ 343,596 | \$ 298,684 | \$ 262,998 |

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 covered employer’s proportionate share of the net LODA OPEB liability using health care trend rate of 7.00% decreasing to 4.75%, as well as what the covered employer’s proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

| | <u>1.00% Decrease</u> | <u>Current Trend</u> | <u>1.00% Increase</u> |
|-------------------------|-----------------------|----------------------|-----------------------|
| Net LODA OPEB Liability | \$ 245,078 | \$ 298,684 | \$ 367,418 |

OPEB Plan Fiduciary Net Position

Information about the VRS OPEB plan fiduciary net position is available in the separately issued VRS 2020 Annual Comprehensive Financial Report (ACFR). A copy of the 2021 VRS ACFR may be downloaded from the VRS website at <http://www.varetire.org/>, 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
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June 30, 2022

16. SUMMARY OF PENSION AND OTHER POSTEMPLOYMENT BENEFIT ELEMENTS

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

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total Primary Government</u> |
|---|------------------------------------|-------------------------------------|-------------------------------------|
| Deferred outflows of resources - Related to Pensions | | | |
| Deferred outflow-Differences in expected/actual and assumptions | | | |
| VRS-Defined Benefit Pension Plan | \$ 458,759 | \$ 272,320 | \$ 731,079 |
| Deferred outflow-Contributions after the measurement date | | | |
| VRS-Defined Benefit Pension Plan | 234,255 | 139,501 | 373,756 |
| Total deferred outflow of resources - Pensions | <u>\$ 693,014</u> | <u>\$ 411,821</u> | <u>\$ 1,104,835</u> |
| Deferred outflows of resources - OPEB | | | |
| Deferred outflow-Differences in expected/actual and assumptions | | | |
| VRS-LODA-OPEB Proram | \$ 134,126 | \$ - | \$ 134,126 |
| Deferred outflow-Contributions after the measurement date | | | |
| VRS-LODA-OPEB Proram | 7,948 | - | 7,948 |
| Total deferred outflow of resources - OPEB | <u>\$ 142,074</u> | <u>\$ -</u> | <u>\$ 142,074</u> |
| Net pension liability | | | |
| VRS-Defined Benefit Pension Plan | <u>\$ 1,569,144</u> | <u>\$ 931,444</u> | <u>\$ 2,500,588</u> |
| Total net pension liability | <u>\$ 1,569,144</u> | <u>\$ 931,444</u> | <u>\$ 2,500,588</u> |
| Net OPEB liability | | | |
| Local Health | \$ 342,576 | \$ 203,353 | \$ 545,929 |
| VRS-LODA | 298,684 | - | 298,684 |
| Total net OPEB liability | <u>\$ 641,260</u> | <u>\$ 203,353</u> | <u>\$ 844,613</u> |
| Deferred inflows of resources - Related to Pensions | | | |
| Deferred inflow-Differences in expected/ actual and assumptions | | | |
| VRS-Defined Benefit Pension Plan | \$ 1,089,375 | \$ 646,652 | \$ 1,736,027 |
| Total deferred inflow of resources - Pensions | <u>\$ 1,089,375</u> | <u>\$ 646,652</u> | <u>\$ 1,736,027</u> |
| Deferred inflows of resources - OPEB | | | |
| Deferred inflows-Differences in expected/actual and assumptson | | | |
| VRS-LODA-Cost Sharing-Multiple-Employer | \$ 104,911 | \$ - | \$ 104,911 |
| Total deferred inflow of resources - OPEB | <u>\$ 104,911</u> | <u>\$ -</u> | <u>\$ 104,911</u> |

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

17. 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 \$208,637 is comprised of the following:

Deferred Property Tax Revenue:

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$208,637 at June 30, 2022.

18. 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.

19. 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.

20. 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, 2022, 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:

| Encumbrances Included in: | | |
|----------------------------|---------------------------|--------------------------|
| Restricted Fund Balance | Committed Fund Balance | Assigned Fund Balance |
| \$ - | \$ - | \$ 51,967 |
| - | - | 10,574 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 62,541</u> |

21. DEFICIT UNRESTRICTED NET POSITION

The water fund have a deficit unrestricted net position of \$1,44,482 at June 30, 2022; however when considering the net investment in capital assets, while excluding restricted amounts, it has a positive overall net position of \$7,220,146.

June 30, 2022

22. **FUTURE ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective:

In May 2019, the GASB issued **Statement No. 91, *Conduit Debt Obligations***. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 96, *Subscription-based Information Technology Arrangements*, defines a subscription-based information technology arrangement, establishes that the arrangements result in a right-to-use intangible asset and related liability, and provides the capitalization criteria for outlays related to the arrangements, as well as setting requirements for note disclosures regarding these arrangements. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The requirements of this statement should be applied prospectively.

In April 2022, the GASB issued **Statement No. 99, *Omnibus 2022***. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, the GASB issued **Statement No. 100, *Accounting Changes and Error Corrections***. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued **Statement No. 101, *Compensated Absences***. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

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, 2022

EXHIBIT 10

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with |
|--|-------------------------|------------------|-------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| REVENUES: | | | | |
| General property taxes | \$ 1,062,150 | \$ 1,062,150 | \$ 1,036,768 | \$ (25,382) |
| Other local taxes | 1,867,600 | 1,867,600 | 1,908,966 | 41,366 |
| Permits, privilege fees and regulatory licenses | 3,100 | 3,100 | 2,443 | (657) |
| Fines and forfeitures | 10,500 | 10,500 | 9,214 | (1,286) |
| Revenue from use of money and property | 35,050 | 35,050 | 20,923 | (14,127) |
| Charges for services | 427,100 | 427,100 | 426,791 | (309) |
| Miscellaneous | 38,500 | 38,500 | 69,468 | 30,968 |
| Recovered costs | 129,000 | 129,000 | 169,059 | 40,059 |
| Intergovernmental | <u>1,918,808</u> | <u>1,940,329</u> | <u>1,478,520</u> | <u>(461,809)</u> |
| Total Revenues | <u>5,491,808</u> | <u>5,513,329</u> | <u>5,122,152</u> | <u>(391,177)</u> |
| EXPENDITURES: | | | | |
| General government administration | 980,000 | 1,025,002 | 935,107 | 89,895 |
| Public safety | 1,632,751 | 1,661,568 | 1,496,555 | 165,013 |
| Public works | 1,342,600 | 1,455,816 | 1,473,664 | (17,848) |
| Health and welfare | 2,500 | 2,500 | 31,423 | (28,923) |
| Parks, recreation and cultural | 1,703,235 | 1,584,523 | 1,161,436 | 423,087 |
| Community development | - | - | 219,371 | (219,371) |
| Debt Service | <u>108,200</u> | <u>108,200</u> | <u>101,493</u> | <u>6,707</u> |
| Total Expenditures | <u>5,769,286</u> | <u>5,837,609</u> | <u>5,419,049</u> | <u>418,560</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sale of property | 1,000 | 1,000 | 800,000 | 799,000 |
| Insurance recoveries | - | - | 7,393 | 7,393 |
| Loan proceeds | - | - | - | - |
| Transfers in (out) | 276,478 | 276,478 | - | (276,478) |
| Prior Year Surplus | - | 46,802 | - | (46,802) |
| Total Other Financing Sources (Uses) | <u>277,478</u> | <u>324,280</u> | <u>807,393</u> | <u>483,113</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 510,496</u> | <u>\$ 510,496</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, 2022

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total pension liability | | | | | | | | |
| Service cost | \$ 205,982 | \$ 207,121 | \$ 198,923 | \$ 204,457 | \$ 240,718 | \$ 238,286 | \$ 233,077 | \$ 216,422 |
| Interest | 937,578 | 885,666 | 883,223 | 873,161 | 837,453 | 810,200 | 782,716 | 763,442 |
| Changes of benefit terms | - | - | - | - | 251,585 | - | - | - |
| Differences between expected and actual experience | (129,026) | 535,593 | (6,860) | (35,500) | 17,544 | 186,519 | 153,591 | - |
| Changes in assumptions | 532,458 | - | 356,731 | - | 24,294 | - | - | - |
| Benefit payments, including refunds of employee contributions | (857,526) | (861,099) | (995,897) | (800,863) | (922,095) | (769,268) | (784,241) | (624,795) |
| Net change in total pension liability | 689,466 | 767,281 | 436,120 | 241,255 | 449,499 | 465,737 | 385,143 | 355,069 |
| Total pension liability - beginning | 14,318,814 | 13,551,533 | 13,115,413 | 12,874,158 | 12,424,659 | 11,958,922 | 11,573,779 | 11,218,710 |
| Total pension liability - ending | \$ 15,008,280 | \$ 14,318,814 | \$ 13,551,533 | \$ 13,115,413 | \$ 12,874,158 | \$ 12,424,659 | \$ 11,958,922 | \$ 11,573,779 |
| Plan fiduciary net position | | | | | | | | |
| Contributions - employer | \$ 356,148 | \$ 320,503 | \$ 313,325 | \$ 331,565 | \$ 313,404 | \$ 285,769 | \$ 309,292 | \$ 259,446 |
| Contributions - employee | 89,856 | 91,745 | 89,661 | 91,172 | 86,454 | 88,684 | 97,469 | 96,016 |
| Net investment income | 2,739,083 | 196,652 | 667,434 | 733,562 | 1,124,759 | 160,213 | 435,518 | 1,335,250 |
| Benefit payments, including refunds of employee contributions | (857,526) | (861,099) | (995,897) | (800,863) | (922,095) | (769,268) | (784,241) | (624,795) |
| Administrative expense | (7,023) | (6,950) | (7,073) | (6,516) | (6,889) | (6,136) | (6,239) | (7,355) |
| Other | 257 | (230) | (417) | (644) | (980) | (69) | (89) | 71 |
| Net change in total pension liability | 2,320,795 | (259,379) | 67,033 | 348,276 | 594,653 | (240,807) | 51,710 | 1,058,633 |
| Total pension liability - beginning | 10,186,897 | 10,446,276 | 10,379,243 | 10,030,967 | 9,436,314 | 9,677,121 | 9,625,411 | 8,566,778 |
| Total pension liability - ending | \$ 12,507,692 | \$ 10,186,897 | \$ 10,446,276 | \$ 10,379,243 | \$ 10,030,967 | \$ 9,436,314 | \$ 9,677,121 | \$ 9,625,411 |
| Political subdivision's net pension liability - ending | \$ 2,500,588 | \$ 4,131,917 | \$ 3,105,257 | \$ 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 | 83.34% | 71.14% | 77.09% | 79.14% | 77.92% | 75.95% | 80.92% | 83.17% |
| Covered - employee payroll | \$ 1,945,243 | \$ 1,975,431 | \$ 1,974,058 | \$ 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 | 128.55% | 209.17% | 157.30% | 146.78% | 152.62% | 160.04% | 123.58% | 100.82% |

1) Fiscal year 2015 was the first year of GASB 68 implementation; therefore only eight 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, 2022

| 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 |
|------|---|---|--|--|--|
| 2022 | \$ 390,344 | 390,344 | - | \$ 2,037,287 | 19.16% |
| 2021 | 372,709 | 372,709 | - | 1,945,243 | 19.16% |
| 2020 | 320,541 | 320,541 | - | 1,975,431 | 16.20% |
| 2019 | 325,188 | 325,188 | - | 1,974,058 | 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% |

TOWN OF BIG STONE GAP, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS (unaudited)
June 30, 2022

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| <i>Local Plan</i> | | | | | |
| Total OPEB liability | | | | | |
| Service cost | \$ 35,443 | \$ 47,647 | \$ 38,950 | \$ 160,493 | \$ 123,525 |
| Interest | 13,727 | 16,628 | 26,786 | 102,396 | 132,882 |
| Changes of benefit terms | - | - | - | - | - |
| Differences between expected and actual experience | (40,451) | (140,316) | (133,574) | (1,947,247) | (213,601) |
| Changes in assumptions | (48,841) | 2,916 | 78,698 | 24,564 | (3,129) |
| Benefit payments, including refunds of employee contributions | (27,853) | (35,282) | (51,576) | (57,102) | (62,580) |
| Net change in total OPEB liability | (67,975) | (108,407) | (40,716) | (1,716,896) | (22,903) |
| Total OPEB liability - beginning | 613,903 | 722,309 | 763,025 | 2,479,921 | 2,502,824 |
| Total OPEB liability - ending | \$ 545,929 | \$ 613,903 | \$ 722,309 | \$ 763,025 | \$ 2,479,921 |
| | | | | | |
| Covered - employee payroll | \$ 2,096,909 | \$ 1,961,726 | \$ 1,999,872 | \$ 1,985,346 | \$ 1,872,398 |
| | | | | | |
| Total OPEB liability as a percentage of covered-employee payroll | 26.03% | 31.29% | 36.12% | 38.43% | 132.45% |

1) Fiscal year 2018 was the first year of GASB 75 implementation therefore only five 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:

| | |
|------|--------|
| 2022 | 3.450% |
| 2021 | 2.160% |
| 2020 | 2.210% |
| 2019 | 3.450% |
| 2018 | 3.920% |

TOWN OF BIG STONE GAP, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY (unaudited)
June 30, 2022

| * | 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 |
| VRS- Line of Duty Act (LODA) | | | | | |
| 2022 | 0.06773% | \$ 298,684 | \$ 638,769 | 46.76% | 1.68% |
| 2021 | 0.06232% | 261,005 | 645,144 | 40.46% | 1.02% |
| 2020 | 0.06310% | 226,394 | 627,600 | 36.07% | 0.79% |
| 2019 | 0.07991% | 250,000 | 627,240 | 39.86% | 0.60% |
| 2018 | 0.73650% | 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 four years 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, 2022

| Fiscal Year | Contractually Required Contribution | Contributions | | | Employer's Covered Employee Payroll | Contributions as a % of Covered Employee Payroll |
|------------------------------|---|---|--|------------|--|--|
| | | Related to Contractually Required Contribution | Contribution Deficiency (Excess) | | | |
| VRS- Line of Duty Act | | | | | | |
| 2022 | \$ 7,948 | \$ 7,948 | \$ - | \$ 661,097 | 1.20% | |
| 2021 | 9,325 | 9,325 | - | 638,769 | 1.46% | |
| 2020 | 8,469 | 8,469 | - | 645,144 | 1.31% | |
| 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% | |

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, 2022

Note 1. Change of benefit terms

Pension

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

Other Postemployment Benefits (OPEB)

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

Note 2.

Changes of assumptions - The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |
| Applicable to: | Pension, GLI OPEB |

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

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |
| Applicable to: | Pension, GLI OPEB |

Largest 10 -- Hazardous Duty/Public Safety Employees:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |
| 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |
| Applicable to: | Pension, GLI OPEB, and LODA OPEB |

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND REVENUES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2022

| | <u>Original Budget</u> | <u>Budget as Amended</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|----------------------------|------------------------------|---------------------|---|
| <u>PRIMARY GOVERNMENT</u> | | | | |
| GENERAL FUND: | | | | |
| Revenue from Local Sources: | | | | |
| General Property Taxes: | | | | |
| Real property taxes | \$ 810,000 | \$ 810,000 | \$ 789,777 | \$ (20,223) |
| Real and personal public service corporation property taxes | 47,000 | 47,000 | 48,268 | 1,268 |
| Personal property taxes | 169,000 | 169,000 | 166,623 | (2,377) |
| Machinery and tools taxes | 750 | 750 | 1,165 | 415 |
| Penalties and interest | 35,400 | 35,400 | 30,935 | (4,465) |
| Total General Property Taxes | <u>1,062,150</u> | <u>1,062,150</u> | <u>1,036,768</u> | <u>(25,382)</u> |
| Other Local Taxes: | | | | |
| Local sales and use taxes | 205,000 | 205,000 | 232,282 | 27,282 |
| Cigarette taxes | 50,000 | 50,000 | 45,333 | (4,667) |
| Utility taxes | 109,000 | 109,000 | 117,805 | 8,805 |
| Business licenses taxes | 304,300 | 304,300 | 268,208 | (36,092) |
| Communication taxes | 160,000 | 160,000 | 136,645 | (23,355) |
| Motor vehicle licenses | 60,000 | 60,000 | 60,385 | 385 |
| Bank stock taxes | 95,000 | 95,000 | 72,812 | (22,188) |
| Hotel and motel room taxes | 4,300 | 4,300 | 9,927 | 5,627 |
| Restaurant food taxes | 850,000 | 850,000 | 939,521 | 89,521 |
| Game of skill taxes | - | - | 1,152 | 1,152 |
| Coal road improvement taxes | 30,000 | 30,000 | 24,896 | (5,104) |
| Total Other Local Taxes | <u>1,867,600</u> | <u>1,867,600</u> | <u>1,908,966</u> | <u>41,366</u> |
| Permits, Privilege Fees, And Regulatory Licenses | <u>3,100</u> | <u>3,100</u> | <u>2,443</u> | <u>(657)</u> |
| Fines and Forfeitures | <u>10,500</u> | <u>10,500</u> | <u>9,214</u> | <u>(1,286)</u> |
| Revenue From Use Of Money and Property: | | | | |
| Revenue from use of money | 14,500 | 14,500 | 6,350 | (8,150) |
| Revenue from use of property | 20,550 | 20,550 | 14,573 | (5,977) |
| Total Revenue From Use of Money and Property | <u>35,050</u> | <u>35,050</u> | <u>20,923</u> | <u>(14,127)</u> |
| Charges For Services: | | | | |
| Fire services | 1,000 | 1,000 | 1,325 | 325 |
| Security | 5,000 | 5,000 | 10,595 | 5,595 |
| Charges for sanitation and waste removal | 310,000 | 310,000 | 276,757 | (33,243) |
| Charges for parks and recreation | 51,800 | 51,800 | 55,084 | 3,284 |
| Cemetery plots and materials | 29,000 | 29,000 | 32,946 | 3,946 |
| Police Restitution | 30,300 | 30,300 | 50,084 | 19,784 |
| Total Charges For Services | <u>427,100</u> | <u>427,100</u> | <u>426,791</u> | <u>(309)</u> |
| Miscellaneous Revenue | <u>38,500</u> | <u>38,500</u> | <u>69,468</u> | <u>30,968</u> |
| Recovered Costs | <u>129,000</u> | <u>129,000</u> | <u>169,059</u> | <u>40,059</u> |
| Total Revenue From Local Sources | <u>\$ 3,573,000</u> | <u>\$ 3,573,000</u> | <u>\$ 3,643,632</u> | <u>\$ 70,632</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, 2022

SCHEDULE 1
Page 2

| | <u>Budget</u> | <u>Budget as Amended</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|---------------------|--------------------------|---------------------|---|
| Revenue From The Commonwealth: | | | | |
| Non-Categorical Aid: | | | | |
| Motor vehicle carriers' taxes | \$ 3,500 | \$ 3,500 | \$ 2,558 | \$ (942) |
| Mobile home titling taxes | 4,500 | 4,500 | 4,365 | (135) |
| Rolling stock taxes | 8,600 | 8,600 | 8,488 | (112) |
| Coal haul road revenue | 80,000 | 80,000 | - | (80,000) |
| Assistance to localities with police departments | 154,400 | 154,400 | 154,478 | 78 |
| Total Non-Categorical Aid | <u>251,000</u> | <u>251,000</u> | <u>169,889</u> | <u>(81,111)</u> |
| Other Categorical Aid: | | | | |
| Street and highway maintenance | 908,900 | 908,900 | 924,596 | 15,696 |
| Litter control | 2,500 | 2,500 | 3,752 | 1,252 |
| Financial assistance to the arts | 4,500 | 4,500 | 4,500 | - |
| DMV grants | - | 19,771 | 4,005 | (15,766) |
| VRA grant | - | - | 20,000 | 20,000 |
| TRRC grant | - | - | 86,845 | 86,845 |
| Business Launch Grant | - | - | 45,000 | 45,000 |
| Fire programs fund | 18,000 | 18,000 | 22,723 | 4,723 |
| Other grants | - | - | 25,576 | |
| VDOT Greenbelt | 554,908 | 554,908 | 15,338 | (539,570) |
| Total Other Categorical Aid | <u>1,488,808</u> | <u>1,508,579</u> | <u>1,152,335</u> | <u>(381,820)</u> |
| Total Revenue From The Commonwealth | <u>1,739,808</u> | <u>1,759,579</u> | <u>1,322,224</u> | <u>(462,931)</u> |
| Revenue From The Federal Government: | | | | |
| Payment In Lieu of Taxes: | | | | |
| Payment in lieu of property taxes | 43,800 | 43,800 | 44,496 | 696 |
| Total Payment in Lieu of Taxes | <u>43,800</u> | <u>43,800</u> | <u>44,496</u> | <u>696</u> |
| Categorical Aid: | | | | |
| HIDTA Grant | 135,200 | 136,950 | 88,337 | (48,613) |
| DCJS Byrne Grant | - | - | 19,366 | 19,366 |
| DCR Grant | - | - | 4,097 | 4,097 |
| Total Categorical Aid | <u>135,200</u> | <u>136,950</u> | <u>111,800</u> | <u>(25,150)</u> |
| Total Revenue From The Federal Government | <u>179,000</u> | <u>180,750</u> | <u>156,296</u> | <u>(24,454)</u> |
| Prior Years Surplus | <u>-</u> | <u>46,802</u> | <u>-</u> | <u>(46,802)</u> |
| TOTAL GENERAL FUND | <u>5,491,808</u> | <u>5,560,131</u> | <u>5,122,152</u> | <u>(463,555)</u> |
| GRAND TOTALS - REVENUES - PRIMARY GOVERNMENT FUNDS | <u>\$ 5,491,808</u> | <u>\$ 5,560,131</u> | <u>\$ 5,122,152</u> | <u>\$ (463,555)</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, 2022

| | <u>Original</u> <u>Budget</u> | <u>Budget as</u> <u>Amended</u> | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|----------------------------------|------------------------------------|------------------|---|
| <u>PRIMARY GOVERNMENT</u> | | | | |
| GENERAL FUND: | | | | |
| General Government Administration: | | | | |
| Legislative: | | | | |
| Town Council | \$ 39,700 | \$ 39,700 | \$ 30,052 | \$ 9,648 |
| Mayor | <u>6,100</u> | <u>6,100</u> | <u>3,925</u> | <u>2,175</u> |
| Total Legislative | <u>45,800</u> | <u>45,800</u> | <u>33,977</u> | <u>11,823</u> |
| General and Financial Administration: | | | | |
| Town Manager | 176,500 | 176,500 | 179,399 | (2,899) |
| Legal and consulting | 35,000 | 35,000 | 19,081 | 15,919 |
| Independent auditor | 21,000 | 21,000 | 24,735 | (3,735) |
| Treasurer/Clerk | 280,300 | 280,300 | 257,093 | 23,207 |
| Accounting | 68,900 | 68,900 | 39,480 | 29,420 |
| Risk management | 101,800 | 101,800 | 92,917 | 8,883 |
| Automotive/motor pool | 144,800 | 189,802 | 182,480 | 7,322 |
| Data processing | 105,900 | 105,900 | 97,654 | 8,246 |
| Coronavirus-related expenses | - | - | 8,291 | (8,291) |
| Total General and Financial Administration | <u>934,200</u> | <u>979,202</u> | <u>901,130</u> | <u>86,363</u> |
| Total General Government Administration | <u>980,000</u> | <u>1,025,002</u> | <u>935,107</u> | <u>98,186</u> |
| Public Safety: | | | | |
| Law Enforcement and Traffic Control: | | | | |
| Police department | 1,259,200 | 1,286,267 | 1,157,394 | 128,873 |
| Drug task force | <u>208,751</u> | <u>210,501</u> | <u>140,254</u> | <u>70,247</u> |
| Total Law Enforcement and Traffic Control | <u>1,467,951</u> | <u>1,496,768</u> | <u>1,297,648</u> | <u>199,120</u> |
| Fire and Rescue Services: | | | | |
| Volunteer fire department | <u>141,800</u> | <u>141,800</u> | <u>175,537</u> | <u>(33,737)</u> |
| Total Fire and Rescue Services | <u>141,800</u> | <u>141,800</u> | <u>175,537</u> | <u>(33,737)</u> |
| Inspections: | | | | |
| Building | <u>23,000</u> | <u>23,000</u> | <u>23,370</u> | <u>(370)</u> |
| Total Inspections | <u>23,000</u> | <u>23,000</u> | <u>23,370</u> | <u>(370)</u> |
| Total Public Safety | <u>1,632,751</u> | <u>1,661,568</u> | <u>1,496,555</u> | <u>165,013</u> |
| Public Works: | | | | |
| Maintenance of Highways, Streets, Bridges and Sidewalks: | | | | |
| Highways, streets, bridges, and sidewalks | 753,800 | 803,818 | 886,495 | (82,677) |
| Storm drainage | 30,000 | 30,000 | 33,713 | (3,713) |
| Street lights | 94,000 | 149,743 | 102,919 | 46,824 |
| Snow and ice removal | 29,000 | 29,000 | 7,267 | 21,733 |
| Curbs and guttering | <u>30,000</u> | <u>30,000</u> | <u>26,866</u> | <u>3,134</u> |
| Total Maintenance of Highways, Streets, Bridges, and Sidewalks | <u>936,800</u> | <u>1,042,561</u> | <u>1,057,260</u> | <u>(14,699)</u> |

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2022

| | <u>Budget</u> | <u>Budget as Amended</u> | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|--|------------------|--------------------------|------------------|---|
| Sanitation and Waste Removal: | | | | |
| Refuse collection | \$ 238,600 | \$ 246,055 | \$ 237,947 | \$ 8,108 |
| Total Sanitation and Waste Removal | <u>238,600</u> | <u>246,055</u> | <u>237,947</u> | <u>8,108</u> |
| | | | | |
| Maintenance of General Buildings and Grounds: | | | | |
| General properties | <u>167,200</u> | <u>167,200</u> | <u>178,457</u> | <u>(11,257)</u> |
| Total Public Works | <u>1,342,600</u> | <u>1,455,816</u> | <u>1,473,664</u> | <u>(17,848)</u> |
| | | | | |
| Health and Welfare: | | | | |
| Area agency on aging | 2,500 | 2,500 | 2,500 | - |
| Property tax relief for elderly | - | - | 28,923 | (28,923) |
| Total Welfare/Social Services | <u>2,500</u> | <u>2,500</u> | <u>31,423</u> | <u>(28,923)</u> |
| Total Health and Welfare | <u>2,500</u> | <u>2,500</u> | <u>31,423</u> | <u>(28,923)</u> |
| | | | | |
| Parks, Recreation and Cultural: | | | | |
| Administration | 784,600 | 913,053 | 984,161 | (71,108) |
| Green Belt Trail | 693,635 | 413,670 | 24,411 | 389,259 |
| Maintenance | 5,000 | 5,000 | 11,601 | (6,601) |
| Swimming pool | 83,700 | 83,700 | 2,061 | 81,639 |
| Cemeteries | 103,800 | 136,600 | 109,552 | 27,048 |
| Total Parks and Recreation | <u>1,670,735</u> | <u>1,552,023</u> | <u>1,131,786</u> | <u>420,237</u> |
| | | | | |
| Cultural Enrichment: | | | | |
| Pro-Art | 5,000 | 5,000 | 5,500 | (500) |
| Lonesome Pine Arts and Crafts | 2,000 | 2,000 | 2,000 | - |
| Miscellaneous | 23,000 | 23,000 | 19,650 | 3,350 |
| Total Cultural Enrichment | <u>30,000</u> | <u>30,000</u> | <u>27,150</u> | <u>2,850</u> |
| | | | | |
| Library: | | | | |
| Payments to regional library | <u>2,500</u> | <u>2,500</u> | <u>2,500</u> | <u>-</u> |
| Total Parks, Recreation and Cultural | <u>1,703,235</u> | <u>1,584,523</u> | <u>1,161,436</u> | <u>423,087</u> |
| | | | | |
| Community Development: | | | | |
| Community development | - | - | 219,371 | (219,371) |
| Total Planning and Community Development | <u>-</u> | <u>-</u> | <u>219,371</u> | <u>(219,371)</u> |
| Total Community Development | <u>-</u> | <u>-</u> | <u>219,371</u> | <u>(219,371)</u> |

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2022

SCHEDULE 2
Page 3

| | <u>Budget</u> | <u>Budget as Amended</u> | <u>Actual</u> | Variance with Final Budget |
|--|------------------|--------------------------|-------------------|-----------------------------------|
| | | | | Positive (Negative) |
| Debt Service: | | | | |
| Principal retirement | \$ 108,200 | \$ 108,200 | \$ 82,386 | \$ 25,814 |
| Interest | - | - | 19,107 | (19,107) |
| Total Debt Service | <u>108,200</u> | <u>108,200</u> | <u>101,493</u> | <u>6,707</u> |
| | | | | |
| TOTAL GENERAL FUND | <u>5,769,286</u> | <u>5,837,609</u> | <u>5,419,049</u> | <u>418,560</u> |
| | | | | |
| GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS | <u>5,769,286</u> | <u>5,837,609</u> | <u>5,419,049</u> | <u>418,560</u> |
| | | | | |
| OTHER FINANCING RESOURCES (USES): | | | | |
| Sale of property | 1,000 | 1,000 | 800,000 | 799,000 |
| Insurance recoveries | - | - | 7,393 | 7,393 |
| Loan proceeds | - | - | - | - |
| Transfer in (out) | 276,478 | 276,478 | - | (276,478) |
| Total Other Financing Sources (Uses) | <u>277,478</u> | <u>277,478</u> | <u>807,393</u> | <u>529,915</u> |
| | | | | |
| Net Increase (Decrease) in Fund Balances | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 510,496</u> | <u>\$ 510,496</u> |

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF TREASURER'S ACCOUNTABILITY
June 30, 2022

SCHEDULE 3

ASSETS HELD BY THE TREASURER:

| | | |
|--------------|--|---------------|
| Cash on hand | | \$ <u>600</u> |
|--------------|--|---------------|

Cash in banks:

Checking:

| | | |
|-----------------------------|------------------|-----------|
| Branch Banking and Trust | 161,788 | |
| Powell Valley National Bank | <u>5,553,953</u> | |
| Total Checking | | 5,715,741 |

Savings:

| | | |
|-----------------------------|---------------|--------|
| Powell Valley National Bank | <u>21,372</u> | |
| Total Savings | | 21,372 |

Certificates of Deposit:

| | | |
|-------------------------------|------------------|------------------|
| New Peoples Bank | 104,444 | |
| Powell Valley National Bank | <u>2,066,034</u> | |
| Total Certificates of Deposit | | <u>2,170,478</u> |

| | | |
|----------------------------|--|----------------------------|
| TOTAL CASH IN BANKS | | \$ <u>7,907,591</u> |
|----------------------------|--|----------------------------|

| | | |
|-------------------|--|----------------------------|
| TOTAL CASH | | \$ <u>7,908,191</u> |
|-------------------|--|----------------------------|

LIABILITIES OF THE TREASURER:

| | | |
|------------------------------|--|----------------------------|
| BALANCE OF TOWN FUNDS | | \$ <u>7,908,191</u> |
|------------------------------|--|----------------------------|

STATISTICAL SECTION

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

| CONTENTS | PAGE |
|--|-------------|
| FINANCIAL TRENDS These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time. | 74 |
| REVENUE CAPACITY These schedules contain trend information to help the reader assess the Town's most significant local revenue source, the property tax. | 78 |
| DEBT CAPACITY These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future. | 82 |
| ECONOMIC AND DEMOGRAPHIC INFORMATION These schedules offer economic and demographic indicators to help the reader understand the Environment within which the town's financial activities take place. | 85 |
| OPERATING INFORMATION These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs. | 87 |

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>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 4,918,489 | \$ 5,486,403 | \$ 5,836,586 | \$ 6,561,745 | \$ 8,010,396 | \$ 8,648,885 | \$ 8,618,203 | \$ 8,618,203 | \$ 8,653,682 | \$ 8,908,559 |
| Restricted | 420,705 | 498,697 | 433,933 | 426,648 | 407,415 | 383,814 | 413,224 | 413,224 | 353,371 | 388,360 |
| Unrestricted | 1,901,976 | 2,057,576 | 796,031 | 826,637 | 811,270 | (1,070,084) | (201,339) | (201,339) | (519,747) | 110,038 |
| Total governmental activities net position | 7,241,170 | 8,042,676 | 7,066,550 | 7,815,030 | 9,229,081 | 7,962,615 | 8,830,088 | 8,830,088 | 8,487,306 | 9,406,957 |
| Business-type activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | 13,790,758 | 14,356,841 | 14,104,154 | 13,946,633 | 13,670,229 | 13,445,910 | 13,390,746 | 13,390,746 | 13,231,143 | 13,372,591 |
| Restricted | 519,418 | 566,989 | 576,522 | 578,654 | 706,781 | - | - | - | - | - |
| Unrestricted | 266,697 | 86,526 | (512,924) | (299,568) | (182,020) | (208,921) | 1,006,150 | 1,006,150 | 1,471,629 | 1,058,579 |
| Total business-type activities | 14,576,873 | 15,010,356 | 14,167,752 | 14,225,719 | 14,194,990 | 13,236,989 | 14,396,896 | 14,396,896 | 14,702,772 | 14,431,170 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | 18,709,247 | 19,843,244 | 19,940,740 | 20,508,378 | 21,680,625 | 22,094,795 | 22,008,949 | 22,008,949 | 21,884,825 | 22,281,150 |
| Restricted | 940,123 | 1,065,686 | 1,010,455 | 1,005,302 | 1,114,196 | 383,814 | 413,224 | 413,224 | 353,371 | 388,360 |
| Unrestricted | 2,168,673 | 2,144,102 | 283,107 | 527,069 | 629,250 | (1,279,005) | 804,811 | 804,811 | 951,882 | 1,168,617 |
| Total primary government net position | \$ 21,547,437 | \$ 21,818,043 | \$ 23,053,032 | \$ 21,234,302 | \$ 22,040,749 | \$ 23,424,071 | \$ 21,199,604 | \$ 23,226,984 | \$ 23,190,078 | \$ 23,838,127 |

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>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Expenses | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General government | \$ 825,324 | \$ 994,202 | \$ 1,051,566 | \$ 1,012,786 | \$ 880,827 | \$ 1,064,204 | \$ 592,780 | \$ 902,678 | \$ 1,140,510 | \$ 964,758 |
| Public safety | 1,770,301 | 1,724,958 | 1,412,244 | 1,389,878 | 1,557,379 | 1,826,662 | 1,134,920 | 1,660,460 | 1,715,738 | 1,538,049 |
| Public works | 1,321,308 | 1,340,341 | 1,012,813 | 1,201,774 | 1,500,727 | 1,325,963 | 1,454,319 | 1,490,861 | 1,653,031 | 1,431,052 |
| Health and welfare | 34,398 | 32,417 | 25,299 | 33,439 | 34,168 | 33,835 | 34,134 | 31,123 | 51,488 | 31,423 |
| Parks, recreation and cultural | 654,966 | 574,353 | 582,673 | 621,698 | 880,711 | 918,451 | 944,697 | 850,705 | 883,945 | 812,703 |
| Community development | 155,970 | 2,700 | 15,850 | 23,460 | - | 181,183 | 911,900 | 102,616 | 377,316 | 219,371 |
| Interest on long-term debt | 16,125 | 15,805 | 15,573 | 18,297 | 29,682 | 39,934 | 36,476 | 24,261 | 28,204 | 19,912 |
| Non-departmental | - | - | - | - | - | - | - | - | - | - |
| Total government activities expense | 4,778,392 | 4,684,776 | 4,116,018 | 4,301,332 | 4,883,494 | 5,390,232 | 5,109,227 | 5,062,704 | 5,850,232 | 5,017,268 |
| Business-Type Activities: | | | | | | | | | | |
| Water | 2,910,990 | 2,839,093 | 2,612,238 | 2,434,693 | 2,578,299 | 2,618,548 | 2,028,832 | 2,729,093 | 2,687,041 | 2,474,498 |
| Wastewater | 1,555,631 | 1,499,681 | 1,488,939 | 1,475,405 | 1,570,311 | 1,806,459 | 1,484,313 | 1,703,449 | 1,895,698 | 1,922,410 |
| Total business-type activities expenses | 4,466,621 | 4,338,774 | 4,101,177 | 3,910,098 | 4,148,610 | 4,425,007 | 3,513,145 | 4,432,542 | 4,582,739 | 4,396,908 |
| Total primary government expenses | \$ 9,245,013 | \$ 9,023,550 | \$ 8,217,195 | \$ 8,211,430 | \$ 9,032,104 | \$ 9,815,239 | \$ 8,622,372 | \$ 9,495,246 | \$ 10,432,971 | \$ 9,414,176 |
| Program Revenues | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Public safety | \$ 135,528 | \$ 80,175 | \$ 67,658 | \$ 69,674 | \$ 82,255 | \$ 85,492 | \$ 77,833 | \$ 92,095 | \$ 81,766 | \$ 62,004 |
| Public works | 294,572 | 289,306 | 288,848 | 283,125 | 279,752 | 307,182 | 309,087 | 304,492 | 301,808 | 276,757 |
| Parks, recreation and culture | 74,812 | 70,685 | 69,571 | 67,252 | 88,843 | 96,686 | 146,621 | 133,785 | 74,456 | 88,030 |
| Community development | - | 1,020 | - | - | - | - | - | - | - | - |
| Operating grants and contributions | 1,106,199 | 1,410,673 | 1,204,384 | 1,235,119 | 1,168,166 | 1,383,840 | 1,298,798 | 1,288,688 | 1,296,072 | 1,241,192 |
| Capital grants and contributions | 69,422 | 867,894 | 93,598 | 273,383 | 1,557,173 | 608,120 | 907,557 | 94,065 | 372,706 | 193,690 |
| Total governmental activities program revenues | 1,680,533 | 2,719,753 | 1,724,059 | 1,928,553 | 3,176,189 | 2,481,320 | 2,739,896 | 1,913,125 | 2,126,808 | 1,861,673 |
| Business-Type Activities: | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Water | 2,523,599 | 2,583,230 | 2,495,051 | 2,506,629 | 2,624,186 | 2,561,893 | 2,588,762 | 2,615,716 | 2,553,410 | 2,574,206 |
| Wastewater | 1,424,508 | 1,550,445 | 1,427,363 | 1,413,709 | 1,415,338 | 1,482,793 | 1,571,259 | 1,595,868 | 1,566,164 | 1,522,210 |
| Operating grants and contributions | - | - | - | - | - | - | - | - | - | - |
| Capital grants and contributions | 1,186,401 | 634,481 | 120,276 | 40,864 | 71,774 | 120,168 | 497,751 | 624,088 | 235,777 | 22,813 |
| Total business-type activities program revenues | 5,134,508 | 4,768,156 | 4,042,690 | 3,961,202 | 4,111,298 | 4,164,854 | 4,657,772 | 4,835,672 | 4,355,351 | 4,119,229 |
| Total primary government program revenues | \$ 6,815,041 | \$ 7,487,909 | \$ 5,766,749 | \$ 5,889,755 | \$ 7,287,487 | \$ 6,646,174 | \$ 7,397,668 | \$ 6,748,797 | \$ 6,482,159 | \$ 5,980,902 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental Activities | \$ (3,097,859) | \$ (1,965,023) | \$ (2,391,959) | \$ (2,391,959) | \$ (1,707,305) | \$ (2,908,912) | \$ (2,369,331) | \$ (3,149,579) | \$ (3,723,424) | \$ (3,155,595) |
| Business-Type Activities: | 667,887 | 429,382 | (58,487) | (58,487) | (37,312) | (260,153) | 1,144,627 | 403,130 | (227,388) | (277,679) |
| Total primary government net (expense)/revenue | \$ (2,429,972) | \$ (1,535,641) | \$ (2,450,446) | \$ (2,450,446) | \$ (1,744,617) | \$ (3,169,065) | \$ (1,224,704) | \$ (2,746,449) | \$ (3,950,812) | \$ (3,433,274) |

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

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Revenues and other Changes in Net Position | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | \$ 996,372 | \$ 1,021,829 | \$ 1,021,829 | \$ 1,019,919 | \$ 1,055,104 | \$ 1,043,502 | \$ 1,010,818 | \$ 1,065,633 | \$ 1,097,295 | \$ 1,048,074 |
| Local sales & use tax | 200,693 | 188,713 | 188,713 | 206,284 | 206,772 | 196,060 | 201,422 | 212,558 | 227,906 | 232,282 |
| Utility tax | 108,135 | 120,608 | 120,608 | 114,522 | 113,897 | 114,288 | 113,187 | 110,989 | 101,352 | 117,805 |
| Business license tax | 262,667 | 224,685 | 224,685 | 269,032 | 275,851 | 271,497 | 293,453 | 241,834 | 274,037 | 268,208 |
| Communication tax | 212,801 | 192,354 | 192,354 | 185,028 | 180,480 | 174,838 | 162,198 | 158,499 | 140,783 | 136,645 |
| Motor vehicle license | 54,952 | 53,534 | 53,534 | 44,045 | 56,215 | 55,973 | 65,634 | 63,501 | 64,777 | 60,385 |
| Bank stock tax | 98,302 | 92,414 | 92,414 | 116,969 | 104,174 | 106,107 | 95,600 | 81,915 | 71,748 | 72,812 |
| Cigarette tax | 33,135 | 25,860 | 25,860 | 60,810 | 52,355 | 48,095 | 50,888 | 46,687 | 43,918 | 45,333 |
| Hotel and motel room tax | 10,695 | 7,902 | 7,902 | 6,293 | 4,816 | 4,192 | 4,789 | 3,806 | 4,030 | 9,927 |
| Restaurant food tax | 524,473 | 531,584 | 531,584 | 573,026 | 668,756 | 680,782 | 749,410 | 735,202 | 858,021 | 939,521 |
| Coal road improvement tax | 107,719 | 70,663 | 70,663 | 30,713 | 23,660 | 24,017 | 38,286 | 30,561 | 17,608 | 24,896 |
| Unrestricted intergovernmental revenue | 60,080 | 60,070 | 60,070 | 53,329 | 113,808 | 58,602 | 139,469 | 72,101 | 365,653 | 44,790 |
| Unrestricted investment earnings | 2,507 | 1,696 | 1,696 | 2,884 | 1,765 | 3,386 | 5,494 | 5,370 | 11,878 | 2,051 |
| Rental of Town property | 44,152 | 14,342 | 14,342 | 22,098 | 17,651 | 56,779 | 21,678 | 19,211 | 18,898 | 14,940 |
| Gain on sale of capital assets | - | - | - | 13,589 | 25,913 | 5,859 | 3,559 | 4,381 | 673 | 800,000 |
| Other | 198,484 | 160,275 | 160,275 | 402,718 | 220,139 | 514,453 | 280,918 | 200,067 | 171,570 | 257,577 |
| Total governmental activities | 2,915,167 | 2,766,529 | 2,766,529 | 3,121,259 | 3,121,356 | 3,358,430 | 3,236,803 | 3,052,315 | 3,470,147 | 4,075,246 |
| Business-Type Activities: | | | | | | | | | | |
| Unrestricted investment earnings | 7,877 | 4,101 | 4,101 | 6,863 | 6,583 | 9,438 | 15,280 | 15,970 | 12,689 | 6,077 |
| Other | - | - | - | - | - | - | - | - | - | - |
| Total business-type activities | 7,877 | 4,101 | 4,101 | 6,863 | 6,583 | 9,438 | 15,280 | 15,970 | 12,689 | 6,077 |
| Total primary government | \$ 2,923,044 | \$ 2,770,630 | \$ 2,770,630 | \$ 3,128,122 | \$ 3,127,939 | \$ 3,367,868 | \$ 3,252,083 | \$ 3,068,285 | \$ 3,482,836 | \$ 4,081,323 |
| Change in Net Position | | | | | | | | | | |
| Governmental Activities | \$ (182,692) | \$ 801,506 | \$ 374,570 | \$ 748,480 | \$ 1,414,051 | \$ 449,518 | \$ 867,473 | \$ (97,264) | \$ (247,517) | \$ 919,651 |
| Business-Type Activities | 675,764 | 433,483 | (54,386) | (51,624) | (30,729) | (250,715) | 1,159,907 | 419,100 | (214,699) | (271,602) |
| Total primary government | \$ 493,072 | \$ 1,234,989 | \$ 320,184 | \$ 696,856 | \$ 1,383,322 | \$ 198,803 | \$ 2,027,380 | \$ 321,836 | \$ (462,216) | \$ 648,049 |

TABLE 3

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

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund | | | | | | | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved | - | - | - | - | - | - | - | - | - | - |
| Nonspendable | \$ 1,588,988 | \$ 1,581,391 | \$ 1,587,132 | \$ 1,544,363 | \$ 1,543,891 | \$ 1,508,891 | \$ 1,397,238 | \$ 1,103,167 | \$ 695,040 | \$ 695,040 |
| Restricted | 341,200 | 418,150 | 435,429 | 439,545 | 420,313 | 396,759 | 423,465 | 399,841 | 380,862 | 1,116,559 |
| Committed | 309,250 | 288,150 | 147,600 | 317,740 | 228,625 | 340,105 | 247,231 | 190,058 | 87,647 | 85,710 |
| Assigned | 69,424 | 101,539 | 366,522 | 254,901 | 550,856 | 662,379 | 94,212 | 187,597 | 219,983 | 107,934 |
| Unassigned | 170,111 | 354,236 | 500,743 | 385,760 | 253,960 | 233,359 | 581,000 | 795,939 | 1,133,939 | 1,022,724 |
| Total general fund | \$ 2,478,973 | \$ 2,743,466 | \$ 3,037,426 | \$ 2,942,309 | \$ 2,997,645 | \$ 3,141,493 | \$ 2,743,146 | \$ 2,676,602 | \$ 2,517,471 | \$ 3,027,967 |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved, reported in: | | | | | | | | | | |
| Special Revenue fund | - | - | - | - | - | - | - | - | - | - |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | 79,505 | 80,547 | - | - | - | - | - | - | - | - |
| Committed | - | - | - | - | - | - | - | - | - | - |
| Assigned | - | - | - | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - | - | - | - |
| Total all other governmental funds | \$ 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

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|-------------------|-------------------|-------------------|--------------------|------------------|-------------------|---------------------|--------------------|---------------------|-------------------|
| Revenues | | | | | | | | | | |
| General property taxes | \$ 991,818 | \$ 1,023,133 | \$ 991,206 | \$ 1,007,579 | \$ 1,048,789 | \$ 1,040,465 | \$ 1,014,278 | \$ 1,020,963 | \$ 1,086,280 | \$ 1,036,768 |
| Other local taxes | 1,613,572 | 1,508,317 | 1,532,062 | 1,606,722 | 1,686,976 | 1,675,849 | 1,774,867 | 1,685,552 | 1,809,940 | 1,908,966 |
| Permits and licenses | 3,078 | 2,382 | 3,814 | 2,910 | 5,878 | 3,499 | 3,335 | 1,028 | 1,877 | 2,443 |
| Fines and forfeitures | 19,335 | 22,755 | 30,032 | 16,341 | 12,558 | 33,414 | 27,417 | 10,642 | 9,495 | 9,214 |
| Investment earnings | 46,659 | 16,038 | 15,953 | 24,982 | 19,452 | 62,886 | 31,193 | 26,181 | 29,311 | 20,923 |
| Charges for services | 450,749 | 441,186 | 426,097 | 420,051 | 450,850 | 489,360 | 533,541 | 530,372 | 458,030 | 426,791 |
| Other revenues | 113,552 | 38,470 | 246,530 | 249,204 | 43,786 | 74,123 | 67,603 | 28,460 | 28,175 | 69,468 |
| recovered cost | 121,525 | 121,000 | 146,301 | 134,263 | 133,237 | 395,328 | 155,712 | 139,834 | 128,739 | 169,059 |
| Intergovernmental | 1,772,320 | 2,307,137 | 1,333,234 | 1,561,831 | 2,839,147 | 2,050,562 | 2,345,824 | 1,454,854 | 2,034,431 | 2,335,514 |
| Total revenues | 5,132,608 | 5,480,418 | 4,725,229 | 5,023,883 | 6,240,673 | 5,825,486 | 5,953,770 | 4,897,886 | 5,586,278 | 5,979,146 |
| Expenditures | | | | | | | | | | |
| General government | 928,404 | 918,390 | 898,907 | 941,923 | 849,769 | 892,681 | 917,452 | 905,550 | 1,041,201 | 1,301,621 |
| Public safety | 1,797,006 | 1,719,110 | 1,522,304 | 1,631,750 | 2,102,456 | 1,492,361 | 1,489,553 | 1,517,836 | 1,543,971 | 1,600,669 |
| Public works | 1,294,684 | 1,288,192 | 1,030,370 | 1,543,339 | 2,206,617 | 1,220,517 | 1,724,950 | 1,389,333 | 1,788,405 | 1,524,664 |
| Health and welfare | 34,398 | 32,417 | 25,299 | 33,439 | 34,168 | 33,835 | 34,134 | 31,123 | 51,488 | 31,423 |
| Parks, recreation and culture | 705,609 | 801,096 | 889,901 | 1,281,042 | 1,518,415 | 1,656,237 | 1,216,230 | 881,679 | 804,139 | 1,496,802 |
| Community development | 155,970 | 408,345 | 190,337 | 23,460 | - | 216,183 | 911,900 | 102,616 | 377,316 | 219,371 |
| Non-Departmental | - | - | - | - | - | - | - | - | - | - |
| Debt service | | | | | | | | | | |
| Principal | 68,326 | 52,596 | 65,404 | 87,500 | 132,072 | 142,241 | 125,036 | 135,677 | 551,186 | 82,386 |
| Interest | 16,125 | 15,804 | 15,573 | 18,297 | 22,433 | 41,496 | 36,371 | 25,100 | 31,660 | 19,107 |
| Total expenditures | 5,000,522 | 5,235,950 | 4,638,095 | 5,560,750 | 6,865,930 | 5,695,551 | 6,455,626 | 4,988,914 | 6,189,366 | 6,276,043 |
| Excess of revenues over (under) expenditures | 132,086 | 244,468 | 87,134 | (536,867) | (625,257) | 129,935 | (501,856) | (91,028) | (603,088) | (296,897) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Proceeds from borrowing | 92,302 | 12,698 | 123,500 | 365,700 | 630,000 | - | 73,100 | - | 440,000 | - |
| Insurance Recoveries | 10,502 | 8,349 | 2,779 | 62,461 | 24,680 | 8,054 | 26,850 | 20,103 | 3,284 | 7,393 |
| Proceeds from sale of assets | - | - | - | 13,589 | 25,913 | 5,859 | 3,559 | 4,381 | 673 | 800,000 |
| Total other financing sources (uses) | 102,804 | 21,047 | 126,279 | 441,750 | 680,593 | 13,913 | 103,509 | 24,484 | 443,957 | 807,393 |
| Net change in fund balance | \$ 234,890 | \$ 265,515 | \$ 213,413 | \$ (95,117) | \$ 55,336 | \$ 143,848 | \$ (398,347) | \$ (66,544) | \$ (159,131) | \$ 510,496 |
| Debt service as a percentage of noncapital expenditures | 1.72% | 1.32% | 1.78% | 1.94% | 2.30% | 3.33% | 2.56% | 3.33% | 10.40% | 1.64% |

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 | | | |
| 2022 | \$ 187,674,920 | \$ 30,548,226 | \$ 32,480 | \$ 1,717,028 | \$ 6,566,699 | \$ 706,890 | \$ 227,246,243 | \$ 0.456 |
| 2021 | 186,722,220 | 29,091,531 | 85,495 | 10,532,469 | 12,067 | 735,980 | 227,179,762 | 0.452 |
| 2020 | 185,504,720 | 28,259,606 | 94,170 | 3,924,108 | 5,983,650 | 718,720 | 224,484,974 | 0.455 |
| 2019 | 184,201,766 | 28,570,899 | 61,400 | 10,015,324 | - | 707,630 | 223,557,019 | 0.457 |
| 2018 | 179,664,082 | 27,966,892 | 82,415 | 9,671,654 | - | 893,200 | 218,278,243 | 0.772 |
| 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 |

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 |
| 2022 | \$ 0.44 | \$ 0.62 | \$ 0.62 | \$ 0.44 | \$ 0.44 | \$ 0.62 | \$ 0.69 | \$ 1.65 |
| 2021 | 0.44 | 0.62 | 0.62 | 0.44 | 0.44 | 0.62 | 0.69 | 1.65 |
| 2020 | 0.44 | 0.62 | 0.62 | 0.44 | 0.44 | 0.62 | 0.69 | 1.65 |
| 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 |

1) Rates are presented per \$100 assessed value

TABLE 7

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

June 30, 2022:

| Name | Nature of Business | Assessed Value | Percent of Real Estate Levy |
|---|-------------------------------|-------------------|-----------------------------------|
| One Center Corp | Shopping center | 3,627,800 | 1.93% |
| Heritage Hall Holding | Nursing home and elderly care | 3,037,300 | 1.62% |
| Lonesome Pine Hospital | Health care | 2,965,000 | 1.58% |
| Bunch Family Limited Partners | Investment Company | 2,960,000 | 1.58% |
| Heritage Hall Holding | Nursing home and elderly care | 1,576,900 | 0.84% |
| Cloverleaf Rentals (was Don Wax Estate) | Estate | 1,114,800 | 0.59% |
| Powell Valley National Bank | Banking operation | 1,086,500 | 0.58% |
| NLD Big Stone Gap LLC | Restaurant | 1,048,600 | 0.56% |
| Cloverleaf Rentals (was Don Wax Estate) | Estate | 965,400 | 0.51% |
| Management Properties Inc. | Investment Company | 954,600 | 0.51% |

June 30, 2013:

| Name | Nature of Business | Assessed Value | Percent of Real Estate Levy |
|-------------------------------|-------------------------------|-------------------|-----------------------------------|
| One Center Corp | Shopping center | 4,353,400 | 2.46% |
| Heritage Hall Holding | Nursing home and elderly care | 3,054,800 | 1.73% |
| Bunch Family Limited Partners | Investment Company | 2,834,400 | 1.60% |
| Lonesome Pine Hospital | Health care | 2,325,000 | 1.32% |
| Heritage Hall Holding | Nursing home and elderly care | 1,596,700 | 0.90% |
| Don Wax Estate | Estate | 1,226,100 | 0.69% |
| Powell Valley National Bank | Banking operation | 1,103,400 | 0.62% |
| One Center Corp | Shopping center | 935,300 | 0.53% |
| Management Properties Inc. | Investment Company | 950,600 | 0.54% |
| Don Wax Estate | Estate | 834,600 | 0.47% |

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

**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 |
|-------------------------------------|--------------------------|-------------------------------|---------------------------------|----------------------------------|-----------------------------|--|------------------------------------|--|
| 2022 | \$ 1,031,034 | \$ 892,494 | 86.56% | \$ 49,267 | \$ 941,761 | 91.34% | \$ 383,842 | 37.23% |
| 2021 | 931,050 | 922,123 | 99.04% | 61,468 | 983,591 | 105.64% | 331,898 | 35.65% |
| 2020 | 1,006,860 | 883,426 | 87.74% | 44,972 | 928,398 | 92.21% | 306,123 | 30.40% |
| 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% |

(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 | | General Obligation Bonds | | | | |
| | Obligation | Leases | Water | Wastewater | | | |
| | Bonds | | Bonds | Bonds | | | |
| 2022 | \$ 560,167 | \$ - | \$ 8,633,266 | \$ 3,324,966 | \$ 12,518,399 | 10.32% | \$ 2,405 |
| 2021 | 642,554 | - | 9,067,161 | 3,585,890 | 13,295,605 | 10.94% | 2,529 |
| 2020 | 753,740 | - | 9,288,433 | 3,853,781 | 13,895,954 | 13.14% | 2,708 |
| 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 |

- 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 | | |
| 2022 | \$ 3,440,047 | 1.51% | \$ 661 |
| 2021 | 3,793,911 | 1.67% | 722 |
| 2020 | 4,210,050 | 1.88% | 820 |
| 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 |

- 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**

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Assessed valuations | | | | | | | | | | |
| Assessed value of taxed real property | \$ 176,690,845 | \$ 177,662,445 | \$ 178,283,162 | \$ 178,591,550 | \$ 178,618,781 | \$ 179,664,082 | \$ 184,201,766 | \$ 185,504,720 | \$ 186,722,220 | \$ 187,674,920 |
| Legal debt margin | | | | | | | | | | |
| Debt limit - 10 percent of total assessed value | 17,669,085 | 17,766,245 | 17,828,316 | 17,859,155 | 17,861,878 | 17,966,408 | 18,420,177 | 18,550,472 | 18,672,222 | 18,767,492 |
| Debt applicable to limitation: | | | | | | | | | | |
| Total bonded debt | 17,025,649 | 16,464,207 | 15,892,097 | 15,489,792 | 15,296,108 | 14,706,963 | 14,421,478 | 13,895,954 | 13,295,605 | 12,518,399 |
| Less - water and wastewater revenue bonds | (6,655,140) | (6,318,332) | (6,134,193) | (5,945,197) | (5,751,100) | (9,843,267) | (9,666,648) | (9,685,904) | (9,501,694) | (9,078,352) |
| Total amount of debt applicable to debt limitation | 10,370,509 | 10,145,875 | 9,757,904 | 9,544,595 | 9,545,008 | 4,863,696 | 4,754,830 | 4,210,050 | 3,793,911 | 3,440,047 |
| Legal debt margin | \$ 7,298,576 | \$ 7,620,370 | \$ 8,070,412 | \$ 8,314,560 | \$ 8,316,870 | \$ 13,102,712 | \$ 13,665,347 | \$ 14,340,422 | \$ 14,878,311 | \$ 15,327,445 |
| Total net debt applicable to the limit as a percentage of debt limit | 58.69% | 57.11% | 54.73% | 53.44% | 53.44% | 27.07% | 25.81% | 22.70% | 20.32% | 18.33% |

TOWN OF BIG STONE GAP, VIRGINIA
PLEGDED-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 | |
| 2022 | \$ 2,574,206 | \$ 1,677,878 | \$ 896,328 | \$ 433,895 | \$ 180,272 | \$ 614,167 | 1.46 |
| 2021 | 2,553,410 | 1,845,365 | 708,045 | 4,688,452 | 293,308 | 4,981,760 | 0.14 |
| 2020 | 2,615,716 | 1,863,407 | 752,309 | 351,781 | 263,890 | 615,671 | 1.22 |
| 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 |

| Fiscal Years Ended June 30 | Wastewater Revenue Bonds | | | | | | |
|-------------------------------------|-------------------------------|--------------------------------|-----------------------------|--------------|-----------|------------|----------|
| | Utility Service Charges | Less: Operating Expenses | Net Available Revenue | Debt Service | | | Coverage |
| | | | | Principal | Interest | Total | |
| 2022 | \$ 1,522,210 | \$ 1,488,312 | \$ 33,898 | \$ 260,924 | \$ 52,852 | \$ 313,776 | 0.11 |
| 2021 | 1,566,164 | 1,227,526 | 338,638 | 265,434 | 51,996 | 317,430 | 1.07 |
| 2020 | 1,595,868 | 1,034,804 | 561,064 | 292,695 | 53,696 | 346,391 | 1.62 |
| 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 |

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

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

| Fiscal Years Ended June 30 | Population | Personal Income | Per Capita Median Income | Median Age | School Enrollment | Unemployment Rate |
|-------------------------------------|------------|--------------------|--------------------------------|---------------|----------------------|----------------------|
| 2022 | 5,206 | \$ 121,278,976 | 23,296 | 39.3 | 1,504 | 6.70% |
| 2021 | 5,257 | 121,515,555 | 23,115 | 40.8 | 1,924 | 6.70% |
| 2020 | 5,132 | 105,744,860 | 20,605 | 37.5 | 1,995 | 5.40% |
| 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% |

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

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

| June 30, 2022 | | | Total Estimated Employment* |
|-----------------------------------|---------------------------|--|-----------------------------------|
| <u>Employer</u> | <u>Product or Service</u> | | |
| Wallens Ridge State Prison | Public Agency | | 469 |
| Mountain Empire Community College | Public Agency | | 309 |
| Lonesome Pine Regional Hospital | Health Care | | 299 |
| Wise County Public Schools | Public Agency | | 188 |
| Heritage Hall | Assisted Living | | 155 |

| June 30, 2013 | | | Total Estimated Employment* |
|-----------------------------------|---------------------------|--|-----------------------------------|
| <u>Employer</u> | <u>Product or Service</u> | | |
| Wallens Ridge State Prison | Public Agency | | 250-499 |
| Mountain Empire Community College | Public Agency | | 250-499 |
| Mountain Empire Older Citizens | Public Agency | | 250-499 |
| Town of Big Stone Gap | Public Agency | | 50-99 |

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 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|------------------------------|------|------|------|------|------|------|------|------|------|------|
| General government | | | | | | | | | | |
| Management services | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Finance | 3 | 3 | 3.5 | 4.5 | 5 | 4 | 4 | 4 | 4 | 2 |
| Planning | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.5 |
| Building | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 0 |
| Other | 4 | 4 | 3.5 | 3.5 | 3 | 3 | 3 | 3 | 3 | 3 |
| Public safety | | | | | | | | | | |
| Officers | 15 | 15 | 15 | 13 | 15 | 13 | 13 | 14 | 12 | 10 |
| Civilians | 3 | 3 | 3 | 2 | 2 | 3 | 3 | 3 | 3 | 2 |
| Public works | | | | | | | | | | |
| Refuse collection | 3 | 4 | 4 | 4 | 5 | 4 | 4 | 4 | 4 | 4 |
| Streets | 6 | 6 | 6 | 5 | 4 | 6 | 6 | 6 | 6 | 6 |
| other | 9 | 9.5 | 11 | 14 | 29 | 11 | 7.5 | 7.5 | 10.5 | 8 |
| Parks and recreation | | | | | | | | | | |
| Parks | 2 | 5.5 | 5 | 6 | 6.5 | 5 | 5.5 | 6 | 7 | 10.5 |
| Other | 1 | 5 | 3.5 | 3.5 | 3 | 3 | 3 | 0 | 0 | 0 |
| Visitors' Center | | | | | | | | | | |
| Tourism | | | | | 1 | 1 | 1 | 0 | 0 | 1 |
| Other | | | | | 1 | 1 | 2 | 2 | 2 | 3 |
| Water operations | 5 | 12.5 | 9 | 8.5 | 8 | 7 | 7 | 7 | 8.5 | 9 |
| Wastewater operations | 3 | 3.5 | 3.5 | 5 | 5.5 | 5.5 | 5.5 | 5.5 | 3.5 | 6 |

1) Source: Town's finance department

TABLE 16

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

| Function | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Public safety | | | | | | | | | | |
| Citations written | 694 | 1,188 | 1,161 | 891 | 754 | 772 | 859 | 575 | 430 | 485 |
| Water operations | | | | | | | | | | |
| Number of service connections | 3,861 | 3,883 | 3,844 | 3,858 | 3,792 | 3,798 | 3,798 | 3,810 | 3,818 | 3,765 |
| Average daily consumption in gallons | 894,172 | 760,107 | 653,728 | 622,292 | 1,774,216 | 683,871 | 4,074,404 | 633,605 | 634,915 | - |
| Maximum daily capacity of plant in gallons | 3,200,000 | 3,200,000 | 3,200,000 | 3,200,000 | 3,200,000 | 3,200,000 | 3,200,000 | 3,200,000 | 3,200,000 | 3,200,000 |
| Wastewater operations | | | | | | | | | | |
| Number of service connections | 2,749 | 2,601 | 2,585 | 2,576 | 2,695 | 2,669 | 2,729 | 2,736 | 2,751 | 2,705 |
| Average daily treatment in gallons | 1,904,167 | 1,474,000 | 1,932,600 | 1,926,583 | 2,284,333 | 1,761,750 | 2,303,917 | 2,247,000 | 1,648,317 | - |
| 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**

| Function | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Public safety | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of patrol units | 10 | 11 | 11 | 13 | 13 | 15 | 15 | 14 | 14 | 14 |
| Public works | | | | | | | | | | |
| Streets (miles) | 68 | 68.36 | 68 | 68 | 68 | 68 | 68 | 68 | 68 | 68 |
| Streetlights | 571 | 571 | 571 | 571 | 575 | 575 | 575 | 575 | 575 | 575 |
| Traffic signals | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Water operations | | | | | | | | | | |
| Miles of water main | 56 | 47.39 | 85 | 85 | 85 | 85 | 85 | 85 | 85 | 85 |
| Number of fire hydrants | 300 | 361 | 361 | 361 | 361 | 361 | 361 | 361 | 361 | 361 |
| Wastewater operations | | | | | | | | | | |
| Miles of sanitary sewers | 12 | 34 | 34 | 34 | 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 | 7 | 7 | 7 | 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 (the "Town"), as of and for the year ended June 30, 2022, 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 July 11, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements for the year ended June 30, 2022, 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*.

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.

Roderic Moss & Co, PLLC

Norton, Virginia
July 11, 2023



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, 2022, and have issued our report thereon dated July 11, 2023.

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.

Rodefer Moss & Co, PLLC

Norton, Virginia
July 11, 2023



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, 2022. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

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).^j Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

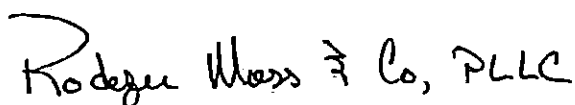
Report on Internal Control over Compliance

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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



Norton, Virginia
July 11, 2023

TOWN OF BIG STONE GAP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

| FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE | Federal Assistance Listing Number | Pass-through Entity Identifying Number | Total Federal Expenditures |
|--|--|---|---|
| DEPARTMENT OF TRANSPORTATION | | | |
| Highway Planning and Construction -Cluster | | | |
| Highway Planning and Construction -Cluster | 20.205 | | \$ 19,290 |
| Recreational Trails Program-Cluster | 20.219 | | <u>4,097</u> |
| Total Highway Planning and Construction Cluster | | | <u>23,387</u> |
| State and Community Highway Safety | 20.600 | | 2,091 |
| Alcohol Open Containe Requirements | 20.607 | | <u>1,934</u> |
| Total Department of Transportation | | | <u>27,412</u> |
| DEPARTMENT OF JUSTICE | | | |
| Edward Byrne Memorial Justice Assistance Grant | 16.738 | | <u>19,849</u> |
| DEPARTMENT OF AGRICULTURE | | | |
| Water and Waste Disposal Systems for Rural Communities | 10.760 | | 40,920 |
| U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY | | | |
| High Intensity Drug Trafficing Areas Program | 95.001 | Office of National Drug Control Policy | <u>86,905</u> |
| Department of the Treasury | | | |
| Coronavirus State and Local Fiscal Recovery (SLFRF) | 21.027 | | <u>879,807</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 1,054,893</u> |

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, 2022

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, 2022. 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, 2022

A) SUMMARY OF AUDIT RESULTS

- 1) The auditors' 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:
Coronavirus State and Local Fiscal Recovery - CFDA No. 21.027
- 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