

TOWN OF BIG STONE GAP, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

TOWN OF BIG STONE GAP, VIRGINIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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INTRODUCTORY SECTION

TOWN OF BIG STONE GAP, VIRGINIA

TOWN COUNCIL

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

OTHER OFFICIALS

Stephen Lawson..... Town Manager
Amanda Hawkins..... Town Treasurer
Steve HammChief of Police
Charles BledsoeLegal Counsel

FINANCIAL SECTION

Independent Auditors' Report

**To the Members of the Town Council
Town of Big Stone Gap, Virginia
Big Stone Gap, Virginia**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Big Stone Gap, Virginia, as of and for the year ended June 30, 2023, 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 financial position of the governmental activities, the business-type activities, and each major fund of the Town of Big Stone Gap, Virginia, as of and for the year ended June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year 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; 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 of Big Stone Gap, Virginia, 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.

Restatement of Beginning Balances for Error Corrections

As described in Note 17 to the financial statements, in 2023, the Town restated beginning balances to correct the reporting of various assets and liabilities as well as the recognition of insurance proceeds. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Responsibilities of Management for the Financial Statements (Continued)

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 Town of Big Stone Gap, Virginia'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, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns* 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, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, 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 Town of Big Stone Gap, Virginia'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 Town of Big Stone Gap, Virginia'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, budgetary comparison information, and schedules related to pension and OPEB funding as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Big Stone Gap, Virginia's basic financial statements. The accompanying supporting schedules and 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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 supporting schedules and the schedule of expenditures of federal awards are 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 introductory and 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 June 11, 2026 on our consideration of the Town of Big Stone Gap, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Big Stone Gap, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Big Stone Gap, Virginia's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Robinson, Famer, Cox Associates".

Blacksburg, Virginia
June 11, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 16, 2026

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, 2023.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the end of the fiscal year by \$25,672,639 (net position). Of this amount, \$1,208,313 is unrestricted.
- At June 30, 2023, the Town reported combined ending fund balances of \$3,561,732, an increase of \$200,081 in comparison with the prior year. Approximately 44.03% of this total amount is available for spending at the Town Council's discretion (unassigned fund balance).
- As of June 30, 2023, the General Fund had a total Fund Balance of \$3,561,732.
- The Town of Big Stone Gap's total debt decreased by \$775,284 during the fiscal year. The total debt outstanding as of June 30, 2023 was \$11,743,399.
- As of June 30, 2023, the Town's Legal Debt Margin was \$19,892,852.
- The Water/Sewer Proprietary Fund had an increase in Net Position for the year of \$37,957.

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) because the Town does not have any 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 and proprietary 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 2023			2022
	Governmental Activities	Business Type Activities	Total	Total
Current & other assets	\$ 8,852,155	\$ 3,216,746	\$ 12,068,901	\$ 11,458,459
Capital assets	10,646,121	24,581,205	35,227,326	34,799,549
Total Assets	\$ 19,498,276	\$ 27,797,951	\$ 47,296,227	\$ 46,258,008
 Deferred outflows of resources	 \$ 411,577	 \$ 176,545	 \$ 588,122	 \$ 1,246,909
 Current & other liabilities	 \$ 3,876,347	 \$ 605,490	 \$ 4,481,837	 \$ 5,311,776
Long-term liabilities	3,038,621	12,656,878	15,695,499	16,205,654
Total Liabilities	\$ 6,914,968	\$ 13,262,368	\$ 20,177,336	\$ 21,517,430
 Deferred inflows of resources	 \$ 1,771,655	 \$ 262,719	 \$ 2,034,374	 \$ 1,860,762
 Net Investment in capital assets	 \$ 10,048,901	 \$ 13,323,121	 \$ 23,372,022	 \$ 22,281,150
Restricted	1,092,304	-	1,092,304	695,673
Unrestricted	82,025	1,126,288	1,208,313	1,149,902
Total Net Position	\$ 11,223,230	\$ 14,449,409	\$ 25,672,639	\$ 24,126,725

Net position serves as a useful indicator of a government's financial position. The Town's combined net position totals \$25,672,639. 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 \$23,372,022. 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 \$705,240 non-spendable, \$1,092,304 restricted, \$84,577 committed, \$111,369 assigned, and \$1,568,242 unassigned funds which may be used to meet the Town's ongoing obligations to citizens and creditors.

Governmental Activities - Governmental activities increased the Town's net position by \$1,507,957. Key elements of this increase are as follows:

Governmental Activities		
	2023	2022
Revenues:		
Program Revenues:		
Charges for Services	\$ 519,994	\$ 426,791
Operating Grants and Contributions	1,488,088	1,241,192
Capital Grants and Contributions	1,622,517	193,690
General Revenues:		
Property Taxes	1,114,878	1,048,074
Other Local Taxes	2,224,146	1,908,966
Unrestricted Intergovernmental Revenue	32,426	43,658
Other	604,457	1,074,568
Total Revenues	\$ 7,606,506	\$ 5,936,939
Expenses:		
General Government	\$ 993,704	\$ 964,758
Public Safety	1,921,868	1,538,049
Public Works	1,554,865	1,431,052
Health and Welfare	34,933	31,423
Parks, Recreation, Cultural	1,238,147	812,703
Community Development	337,479	219,371
Interest on Long Term Debt	17,553	19,912
Total Expenses	\$ 6,098,549	\$ 5,017,268
Increase (Decrease) in Net Position	\$ 1,507,957	\$ 919,671

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, unassigned 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 Fund.

Governmental Fund Highlights:

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

	2023	2022
General Property Taxes	\$ 1,091,646	\$ 1,036,768
Other Local Taxes	2,224,146	1,908,966
Permits, Privilege Fees and Regulatory Licenses	-	2,443
Fines and Forfeitures	50,557	9,214
Revenue from Use of Money and Property	32,426	20,923
Charges for Services	469,437	426,791
Miscellaneous	370,361	69,468
Recovered Costs	181,855	169,059
Intergovernmental	2,226,155	1,478,520
Total Revenues	\$ 6,646,583	\$ 5,122,152

Fund Financial Statements (continued)

The Town's assessed value of real estate for the year was \$198,928,520. The real estate tax rate is \$0.44 per \$ 100 of assessed value. For the year, the percent of levy collected was 97.28%.

The Town's business type activity is the Water/Sewer Proprietary Fund. During the year, these funds had net income (change in net position) of \$37,957. Cash and cash equivalents and investments increased by \$77,419 to \$3,480,303.

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

	Final Budget	Actual	Favorable (Unfav.) Variance
Total Revenues	\$ 5,839,253	\$ 6,646,583	\$ 807,330
Total Expenditures	(6,039,253)	(6,446,502)	(407,249)
Total Other Financing	200,000	-	(200,000)
Excess of Revenues over Expenses	\$ -	\$ 200,081	\$ 200,081

Capital Asset and Debt Administration

Capital assets

The Town's investment in capital assets for its governmental activities as of June 30, 2023 is \$10,646,121 (net of accumulated depreciation). The Town's investment in capital assets for its business-type activities as of June 30, 2023 was \$24,581,205. These investments in capital assets include land, buildings and system, machinery, equipment, and vehicles, and construction in progress. The Town purchased 10 police Ford Explorer Cruisers, continued work on the GreenBelt and Big Cherry trails, and started work on the outdoor fitness court in fiscal year 2023. These along with other changes in the Town's capital assets are shown in the table that follows:

Town of Big Stone Gap, Virginia's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 2,620,893	\$ 2,620,893	\$ 880,000	\$ 880,000	\$ 3,500,893	\$ 3,500,893
CIP	1,120,698	160,233	368,431	232,856	1,489,129	393,089
Buildings and improvements	2,458,235	2,326,507	93,623	97,279	2,551,858	2,423,786
Machinery, equipment and vehicles	1,190,052	955,598	620,419	732,121	1,810,471	1,687,719
Infrastructure	3,256,243	3,405,495	22,618,732	23,388,567	25,874,975	26,794,062
Total	\$ 10,646,121	\$ 9,468,726	\$ 24,581,205	\$ 25,330,823	\$ 35,227,326	\$ 34,799,549

Additional information on the Town's capital assets can be found in Note 9 to the financial statements.

Long-term debt

The Town did not issue any new debt during fiscal year 2023. The most significant activity resulted from expected principal payments and related interest payments that were made. Additional information on the Town's long-term debt can be found in Note 6 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Certain economic factors affect the Town's ability to raise additional revenue in support of governmental functions without increasing effective tax rates. These factors include:

- An increasing interest rate market has resulting in improved investment performance.
- In February 2026, the Town issued a \$1,762,000 revenue bond for a water loss improvement project.
- The Town will continue to pay debt service in future periods on individual loans and bonds as noted in long-term debt.
- The Town has working with its auditors to catch up the fiscal year audits to ensure compliance with state regulation and grant requirements.

All of the aforementioned factors were considered in preparing the Town's budget for the 2023-2024 fiscal year.

Requests for Information

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.

Basic Financial Statements

Town of Big Stone Gap, Virginia
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,363,262	\$ 1,707,473	\$ 6,070,735
Cash and cash equivalents - restricted	1,092,304	172,050	1,264,354
Investments	452,856	1,600,780	2,053,636
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,412,081	-	1,412,081
Accounts receivable	149,063	431,483	580,546
Internal balances	695,040	(695,040)	-
Due from other governmental units	677,349	-	677,349
Prepaid expenses	10,200	-	10,200
Capital assets not being depreciated:			
Land	2,620,893	880,000	3,500,893
Construction in progress	1,120,698	368,431	1,489,129
Capital assets, net of accumulated depreciation/amortization:			
Buildings and improvements	2,458,235	93,623	2,551,858
Machinery, equipment, and vehicles	1,190,052	620,419	1,810,471
Infrastructure	3,256,243	22,618,732	25,874,975
Total Assets	<u>\$ 19,498,276</u>	<u>\$ 27,797,951</u>	<u>\$ 47,296,227</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 305,721	\$ 176,545	\$ 482,266
OPEB related items	105,856	-	105,856
Total Deferred Outflows of Resources	<u>\$ 411,577</u>	<u>\$ 176,545</u>	<u>\$ 588,122</u>
LIABILITIES			
Accounts payable	\$ 300,976	\$ 244,775	\$ 545,751
Accounts payable - capital	105,006	-	105,006
Accrued wages payable	128,615	89,095	217,710
Customers' deposits	-	172,050	172,050
Accrued interest payable	3,985	99,570	103,555
Unearned revenues	3,337,765	-	3,337,765
Long-term liabilities:			
Due within one year	129,847	759,581	889,428
Due in more than one year	2,908,774	11,897,297	14,806,071
Total Liabilities	<u>\$ 6,914,968</u>	<u>\$ 13,262,368</u>	<u>\$ 20,177,336</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 1,186,192	\$ -	\$ 1,186,192
Pension related items	420,418	262,719	683,137
OPEB related items	165,045	-	165,045
Total Deferred Inflows of Resources	<u>\$ 1,771,655</u>	<u>\$ 262,719</u>	<u>\$ 2,034,374</u>
NET POSITION			
Net investment in capital assets	\$ 10,048,901	\$ 13,323,121	\$ 23,372,022
Restricted for:			
Community development	685,565	-	685,565
Drug enforcement	334,057	-	334,057
Parks and recreation	31,331	-	31,331
Perpetual care	41,351	-	41,351
Unrestricted (deficit)	82,025	1,126,288	1,208,313
Total Net Position	<u>\$ 11,223,230</u>	<u>\$ 14,449,409</u>	<u>\$ 25,672,639</u>

The notes to the financial statements are an integral part of this statement.

Town of Big Stone Gap, Virginia
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating		Governmental Activities	Primary Government Business-type Activities	
			Grants and Contributions	Capital Contributions		Activities	Total
Governmental activities:							
General government administration	\$ 993,704	\$ 46,472	\$ 54,500	\$ -	\$ (892,732)	\$ -	\$ (892,732)
Public safety	1,921,868	50,557	217,903	428,999	(1,224,409)		(1,224,409)
Public works	1,554,865	314,415	1,215,685	226,945	202,180		202,180
Health and welfare	34,933	-	-	-	(34,933)		(34,933)
Parks, recreation, and cultural	1,238,147	51,522	-	325,433	(861,192)		(861,192)
Community development	337,479	81,150	29,966	641,140	414,777		414,777
Interest on long-term debt	17,553	-	-	-	(17,553)		(17,553)
Total governmental activities	\$ 6,098,549	\$ 544,116	\$ 1,518,054	\$ 1,622,517	\$ (2,413,862)	\$ (2,413,862)	\$ (2,413,862)
Business-type activities:							
Water	\$ 2,678,797	\$ 2,732,048	\$ -	\$ 13,401		\$ 66,652	\$ 66,652
Sewer	1,738,147	1,519,206	-	-		(218,941)	(218,941)
Total business-type activities	\$ 4,416,944	\$ 4,251,254	\$ -	\$ 13,401	\$ -	\$ (152,289)	\$ (152,289)
Total	\$ 10,515,493	\$ 4,795,370	\$ 1,518,054	\$ 1,635,918	\$ (2,413,862)	\$ (152,289)	\$ (2,566,151)
General revenues:							
General property taxes					\$ 1,114,878	\$ -	\$ 1,114,878
Other local taxes:							
Local sales and use tax					280,084	-	280,084
Business license taxes					319,158	-	319,158
Restaurant food taxes					1,246,142	-	1,246,142
Consumers' utility taxes					94,543	-	94,543
Cigarette taxes					92,277	-	92,277
Other local taxes					191,942	-	191,942
Unrestricted revenues from use of money					8,304	16,851	25,155
Miscellaneous					370,361	162,164	532,525
Grants and contributions not restricted to specific programs					215,361	-	215,361
Transfers					(11,231)	11,231	-
Total general revenues and transfers					\$ 3,921,819	\$ 190,246	\$ 4,112,065
Change in net position					\$ 1,507,957	\$ 37,957	\$ 1,545,914
Net position - beginning, as previously reported					\$ 9,406,957	\$ 14,431,170	\$ 23,838,127
Restatements					308,316	(19,718)	288,598
Net position - beginning, as restated					\$ 9,715,273	\$ 14,411,452	\$ 24,126,725
Net position - ending					\$ 11,223,230	\$ 14,449,409	\$ 25,672,639

The notes to the financial statements are an integral part of this statement.

Town of Big Stone Gap, Virginia
Balance Sheet
Governmental Funds
June 30, 2023

	<u>General</u>	<u>ARPA</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 957,772	\$ 3,405,490	\$ 4,363,262
Cash and cash equivalents - restricted	1,092,304	-	1,092,304
Investments	452,856	-	452,856
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,412,081	-	1,412,081
Accounts receivable	149,063	-	149,063
Due from other funds	695,040	-	695,040
Due from other governmental units	677,349	-	677,349
Prepaid items	10,200	-	10,200
Total assets	<u>\$ 5,446,665</u>	<u>\$ 3,405,490</u>	<u>\$ 8,852,155</u>
LIABILITIES			
Accounts payable	\$ 233,251	\$ 67,725	\$ 300,976
Accounts payable - capital	105,006	-	105,006
Accrued wages payable	128,615	-	128,615
Unearned revenue	-	3,337,765	3,337,765
Total liabilities	<u>\$ 466,872</u>	<u>\$ 3,405,490</u>	<u>\$ 3,872,362</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 1,418,061	\$ -	\$ 1,418,061
Total deferred inflows of resources	<u>\$ 1,418,061</u>	<u>\$ -</u>	<u>\$ 1,418,061</u>
FUND BALANCES			
Nonspendable	\$ 705,240	\$ -	\$ 705,240
Restricted	1,092,304	-	1,092,304
Committed	84,577	-	84,577
Assigned	111,369	-	111,369
Unassigned	1,568,242	-	1,568,242
Total fund balances	<u>\$ 3,561,732</u>	<u>\$ -</u>	<u>\$ 3,561,732</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,446,665</u>	<u>\$ 3,405,490</u>	<u>\$ 8,852,155</u>

The notes to the financial statements are an integral part of this statement.

Town of Big Stone Gap, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2023

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	3,561,732
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	2,620,893	
Buildings and improvements		2,458,235	
Machinery, equipment, and vehicles		1,190,052	
Infrastructure		3,256,243	
Construction in progress		1,120,698	10,646,121

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.

Unavailable revenue-property taxes		231,869
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$	305,721	
OPEB related items		105,856	411,577

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Notes payable	\$	(492,214)	
Accrued interest payable		(3,985)	
Net OPEB liability		(218,407)	
Total OPEB liability		(377,689)	
Net pension liability		(1,744,125)	
Compensated absences		(206,186)	(3,042,606)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$	(420,418)	
OPEB related items		(165,045)	(585,463)

Net position of governmental activities	\$	11,223,230
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The notes to the financial statements are an integral part of this statement.

Town of Big Stone Gap, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	<u>General</u>	<u>ARPA</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 1,091,646	\$ -	\$ 1,091,646
Other local taxes	2,224,146	-	2,224,146
Fines and forfeitures	50,557	-	50,557
Revenue from the use of money and property	32,426	-	32,426
Charges for services	469,437	-	469,437
Miscellaneous	370,361	-	370,361
Recovered costs	181,855	-	181,855
Intergovernmental:			
Commonwealth	1,574,505	-	1,574,505
Federal	651,650	1,129,777	1,781,427
Total revenues	<u>\$ 6,646,583</u>	<u>\$ 1,129,777</u>	<u>\$ 7,776,360</u>
EXPENDITURES			
Current:			
General government administration	\$ 885,327	\$ 139,947	\$ 1,025,274
Public safety	1,755,355	-	1,755,355
Public works	1,464,709	-	1,464,709
Health and welfare	34,933	-	34,933
Parks, recreation, and cultural	1,168,606	-	1,168,606
Community development	337,479	-	337,479
Capital projects	714,856	978,599	1,693,455
Debt service:			
Principal	67,953	-	67,953
Interest and other fiscal charges	17,284	-	17,284
Total expenditures	<u>\$ 6,446,502</u>	<u>\$ 1,118,546</u>	<u>\$ 7,565,048</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 200,081</u>	<u>\$ 11,231</u>	<u>\$ 211,312</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	\$ -	\$ (11,231)	\$ (11,231)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (11,231)</u>	<u>\$ (11,231)</u>
Net change in fund balances	\$ 200,081	\$ -	\$ 200,081
Fund balances - beginning, as previously reported	\$ 3,027,967	\$ -	\$ 3,027,967
Restatements	333,684	-	333,684
Fund balances - beginning, as restated	<u>\$ 3,361,651</u>	<u>\$ -</u>	<u>\$ 3,361,651</u>
Fund balances - ending	<u>\$ 3,561,732</u>	<u>\$ -</u>	<u>\$ 3,561,732</u>

The notes to the financial statements are an integral part of this statement.

Town of Big Stone Gap, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2023

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	200,081
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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 and reported as depreciation expense. This is the detail of items supporting this adjustment:

Capital asset additions	\$ 1,786,457		
Depreciation expense	(601,269)		1,185,188

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(7,793)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Increase (decrease) in unavailable revenue - property taxes		23,232
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The issuance of long-term debt (e.g. 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 premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments:		
Notes payable		67,953

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.

(Increase) decrease in compensated absences	\$ (15,930)		
(Increase) decrease in accrued interest payable	(269)		
Changes in OPEB related items	(51,188)		
Changes in pension related items	106,683		39,296

Change in net position of governmental activities	\$	<u>1,507,957</u>
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The notes to the financial statements are an integral part of this statement.

Town of Big Stone Gap, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2023

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 855,411	\$ 852,062	\$ 1,707,473
Investments	926,983	673,797	1,600,780
Accounts receivable, net of allowance for uncollectibles	286,798	144,685	431,483
Due from other funds	-	1,556,435	1,556,435
Total current assets	\$ 2,069,192	\$ 3,226,979	\$ 5,296,171
Noncurrent assets:			
Restricted cash and cash equivalents:			
Customers' deposits	\$ 172,050	\$ -	\$ 172,050
Capital assets, depreciable, net	15,660,430	7,672,344	23,332,774
Capital assets, non-depreciable	1,178,431	70,000	1,248,431
Total capital assets	\$ 16,838,861	\$ 7,742,344	\$ 24,581,205
Total noncurrent assets	\$ 17,010,911	\$ 7,742,344	\$ 24,753,255
Total assets	\$ 19,080,103	\$ 10,969,323	\$ 30,049,426
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 101,357	\$ 75,188	\$ 176,545
Total deferred outflows of resources	\$ 101,357	\$ 75,188	\$ 176,545
LIABILITIES			
Current liabilities:			
Accounts payable - operating	\$ 153,178	\$ 91,597	\$ 244,775
Customers' deposits	172,050	-	172,050
Accrued wages payable	42,900	46,195	89,095
Accrued interest payable	75,411	24,159	99,570
Due to other funds	2,251,475	-	2,251,475
Compensated absences - current portion	34,563	18,979	53,542
Bonds payable - current portion	453,794	245,062	698,856
Financed purchase - current portion	-	7,183	7,183
Total current liabilities	\$ 3,183,371	\$ 433,175	\$ 3,616,546
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 70,174	\$ 38,532	\$ 108,706
Bonds payable - net of current portion	7,741,042	2,811,003	10,552,045
Total OPEB liability	125,418	94,691	220,109
Net pension liability	579,164	437,273	1,016,437
Total noncurrent liabilities	\$ 8,515,798	\$ 3,381,499	\$ 11,897,297
Total liabilities	\$ 11,699,169	\$ 3,814,674	\$ 15,513,843
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 139,703	\$ 123,016	\$ 262,719
Total deferred inflows of resources	\$ 139,703	\$ 123,016	\$ 262,719
NET POSITION			
Net investment in capital assets	\$ 8,644,025	\$ 4,679,096	\$ 13,323,121
Unrestricted (deficit)	(1,301,437)	2,427,725	1,126,288
Total net position	\$ 7,342,588	\$ 7,106,821	\$ 14,449,409

The notes to the financial statements are an integral part of this statement.

Town of Big Stone Gap, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2023

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services:			
Water sales	\$ 2,715,548	\$ -	\$ 2,715,548
Sewer sales	-	1,518,706	1,518,706
Tap fees	16,500	500	17,000
Other revenues	46,961	115,203	162,164
Total operating revenues	\$ 2,779,009	\$ 1,634,409	\$ 4,413,418
OPERATING EXPENSES			
Salaries and fringes	\$ 932,612	\$ 761,000	\$ 1,693,612
Utilities	155,776	175,353	331,129
Insurance	29,310	14,589	43,899
Maintenance and repairs	214,622	178,862	393,484
Supplies	232,357	86,506	318,863
Chemicals	231,537	-	231,537
Professional services	12,155	10,305	22,460
Miscellaneous	77,798	69,984	147,782
Depreciation	617,052	389,544	1,006,596
Total operating expenses	\$ 2,503,219	\$ 1,686,143	\$ 4,189,362
Operating income (loss)	\$ 275,790	\$ (51,734)	\$ 224,056
NONOPERATING REVENUES (EXPENSES)			
Investment income	\$ 8,829	\$ 8,022	\$ 16,851
Interest expense	(175,578)	(52,004)	(227,582)
Total nonoperating revenues (expenses)	\$ (166,749)	\$ (43,982)	\$ (210,731)
Income (loss) before capital contributions and transfers	\$ 109,041	\$ (95,716)	\$ 13,325
Capital contributions and construction grants	13,401	-	13,401
Transfers in	-	11,231	11,231
Change in net position	\$ 122,442	\$ (84,485)	\$ 37,957
Net position - beginning, as previously reported	\$ 7,220,146	\$ 7,211,024	\$ 14,431,170
Restatement	-	(19,718)	(19,718)
Net position - beginning, as restated	\$ 7,220,146	\$ 7,191,306	\$ 14,411,452
Net position - ending	\$ 7,342,588	\$ 7,106,821	\$ 14,449,409

The notes to the financial statements are an integral part of this statement.

Town of Big Stone Gap, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,741,486	\$ 1,629,076	\$ 4,370,562
Payments to and for employees	(950,595)	(732,183)	(1,682,778)
Payments for goods and services	(917,551)	(552,286)	(1,469,837)
Net cash provided by (used for) operating activities	\$ 873,340	\$ 344,607	\$ 1,217,947
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund borrowings and transfers	\$ -	\$ 11,231	\$ 11,231
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to capital assets	\$ (158,019)	\$ (98,959)	\$ (256,978)
Principal payments on bonds	(438,430)	(245,062)	(683,492)
Principal payments on financed purchases	-	(16,656)	(16,656)
Contributions in aid of construction	13,401	-	13,401
Interest payments	(174,210)	(50,675)	(224,885)
Net cash provided by (used for) capital and related financing activities	\$ (757,258)	\$ (411,352)	\$ (1,168,610)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of long term certificates of deposit	\$ (919,631)	\$ (669,408)	\$ (1,589,039)
Interest income	1,477	3,633	5,110
Net cash provided (used) by investing activities	\$ (918,154)	\$ (665,775)	\$ (1,583,929)
Net increase (decrease) in cash and cash equivalents	\$ (802,072)	\$ (721,289)	\$ (1,523,361)
Cash and cash equivalents - beginning (includes restricted cash and cash equivalents of \$1,248,589)	1,829,533	1,573,351	3,402,884
Cash and cash equivalents - ending (includes restricted cash and cash equivalents of \$172,050)	\$ 1,027,461	\$ 852,062	\$ 1,879,523
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 275,790	\$ (51,734)	\$ 224,056
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	\$ 617,052	\$ 389,544	\$ 1,006,596
(Increase) decrease in accounts receivable	(40,888)	(5,333)	(46,221)
(Increase) decrease in deferred outflows of resources	135,047	100,229	235,276
Increase (decrease) in customers' deposits	3,365	-	3,365
Increase (decrease) in accounts payable	36,004	3,573	39,577
Increase (decrease) in accrued wages payable	6,772	20,260	27,032
Increase (decrease) in compensated absences	(7,087)	17,537	10,450
Increase (decrease) in net pension liability	57,875	27,118	84,993
Increase (decrease) in total OPEB liability	11,610	5,146	16,756
Increase (decrease) in deferred inflows of resources	(222,200)	(161,733)	(383,933)
Total adjustments	\$ 597,550	\$ 396,341	\$ 993,891
Net cash provided by (used for) operating activities	\$ 873,340	\$ 344,607	\$ 1,217,947

The notes to the financial statements are an integral part of this statement.

TOWN OF BIG STONE GAP, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023

Note 1-Summary of Significant Accounting Policies:

The financial statements of the Town conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The more significant accounting policies established in GAAP and used by the Town are discussed below.

A. Financial reporting entity:

Town of Big Stone Gap, Virginia (Town) is a municipal corporation governed by an elected seven-member Town Council. The accompanying financial statements present the Town. Related organizations, if any, are described below.

Blended Component Units - None

Discretely Presented Component Units - None

Related Organizations - None

Jointly Governed Organizations - The Town is a member in the Blue Highway Fest, LLC (the Company) and owns 45% of the Company. The Town collected related sales and paid all vendors excluding several direct artist payments which are trivial to the Town financial statements. The event has operated at a loss and therefore it is not reported as an investment using the equity method for joint venture accounting.

B. Government-wide 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. 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.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities). Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense, the cost of "using up" capital assets, in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 1-Summary of Significant Accounting Policies: (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation:

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are 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*.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide, proprietary, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 when they have been earned and 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 government 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 principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use lease assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, 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 receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as unavailable revenues.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 1-Summary of Significant Accounting Policies: (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (Continued)

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

The Town reports the following major governmental funds:

The *General Fund* is the primary operating fund of the Town. The fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service and interest income.

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 Town *Water Fund* accounts for providing drinking water and maintains the facilities necessary to provide this service. Its primary revenue source is user charges and fees.

The Town *Sewer Fund* accounts for providing 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 other charges between the Town'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, which consist of Enterprise 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 Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue 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 expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources as they are needed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:

1. Cash and Cash Equivalents

The Town's cash and cash equivalents include cash on hand, amounts in demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

3. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on December 5th. Personal property taxes are due and collectible annually on December 5th. The Town bills and collects its own property taxes.

4. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. At June 30, 2023 the allowance amounted to approximately \$196,774 for the general fund, \$188,328 for the water fund, and \$119,348 for the sewer fund.

5. Use of 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.

6. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 1-Summary of Significant Accounting Policies: (Continued)

- D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(Continued)

7. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, lease, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost (except for intangible right-to-use lease assets (lease assets), the measurement of which is discussed in more detail below) or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's life is not capitalized.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant and equipment, lease assets, and infrastructure of Town, are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Water/Sewer System	25
Buildings	40
Improvements other than buildings	25
Infrastructure	30-50
Machinery, equipment, and vehicles	3-20

8. 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.

Town employees earn general leave according to the following: permanent full-time employees with less than five years of service earn 1 ½ work days per month, permanent full-time employees with five years of service but less than ten years of service earn 2 work days per month, permanent full-time employees with ten or more years of service earn 2 ½ work days per month, and part-time employees who work 1,000 hours in a given year will earn five days annual leave.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(Continued)

8. Compensated Absences (Continued)

Accumulated general leave is paid out upon termination according to the following: 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 of 30 workdays, 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 30 workdays reflects a policy change from the prior maximum of 90 workdays. At the time of the policy change, implementing 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.

The Town has outstanding accrued general leave pay totaling \$206,186 in the Governmental Activities, and \$162,248 in the Water and Sewer Funds.

9. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, 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 fiduciary net 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.

10. Other Postemployment Benefits (OPEB)

Line of Duty Act (LODA)

For purposes of measuring the net VRS LODA OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS LODA OPEB Plan and the additions to/deductions from the VRS OPEB Plan's fiduciary net 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.

Health Insurance

In addition to the OPEB LODA benefit, the Town allows their retirees to stay on the health insurance plan after retirement. The retiree is required to pay the blended premium cost creating an implicit subsidy OPEB liability. See the related note for further information.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(Continued)

11. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums on 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.

12. Fund Balance

The Town reports fund balance in accordance current reporting standards. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are either not in spendable form (such as inventory and prepaids) or are legally or contractually required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance - amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Town Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Council adopts another ordinance to remove or revise the limitation;
- Assigned fund balance - amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(Continued)

12. Fund Balance (Continued)

Committed Fund Balance Policy:

The Town Council is the Town's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is an ordinance approved by Town Council. The ordinance must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned Fund Balance Policy:

The Town Council has authorized the Town Manager as the official authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

Resource Flow Policy:

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned and unassigned, as they are needed.

13. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on the pension and OPEB items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, installments levied during the fiscal year but due after June 30th, and amounts prepaid on those installments levied during the fiscal year and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, installments levied during the fiscal year but due after June 30th and amounts prepaid on those installments are reported as deferred inflows of resources. In addition, certain items related to pension and OPEB are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(Continued)

14. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

15. Leases

The Town leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessee

The Town recognizes lease liabilities and intangible right-to-use lease assets (lease assets) with an initial value of \$5,000, individually or in the aggregate in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Subsequently, the lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(Continued)

15. Leases (Continued)

Lessor

The Town recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives). Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key Estimates and Judgments

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Town uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability (lessee) or lease receivable (lessor).

The Town monitors changes in circumstances that would require a remeasurement or modification of its leases. The Town will remeasure the lease asset and liability (lessee) or the lease receivable and deferred inflows of resources (lessor) if certain changes occur that are expected to significantly affect the amount of the lease liability or lease receivable.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

The following procedures are used by the Town in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The General has a legally adopted budget.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level in the General Fund. Only the Town Council can revise the appropriation for each fund. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units.
8. The accompanying financial statements present the original and revised budgets.
9. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is a part of the Town's accounting system:
 - 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.

B. Excess of expenditures over appropriations

The General Fund and ARPA Fund had expenditures over appropriations.

C. Deficit fund balance

At June 30, 2023, no funds had deficit fund balance.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 3-Deposits and Investments:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. 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.

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard & Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Restricted cash and cash equivalents consist of \$172,050 for utility customer deposits, \$685,565 for community development, \$334,057 for drug enforcement, \$31,331 for parks and recreation, and \$41,351 for perpetual care costs.

The investments, as reported in the financial statements as of June 30, 2023, consist of non-negotiable certificates of deposit with an original maturity date of 12 months or more and have a balance of \$452,856 for governmental activities and \$1,600,780 for Business-type activities at year end.

Note 4-Due from Other Governmental Units:

The following amounts represent receivables from other governments at year-end:

	Primary Government
<u>Wise County:</u>	
Court fines and transfer fees	\$ 757
<u>Commonwealth of Virginia:</u>	
Local sales tax	70,403
Auto rental tax	488
Communications tax	21,067
Categorical aid	7,125
<u>Federal Government:</u>	
Categorical aid	577,509
Total	\$ 677,349

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 5-Interfund Activity:

Interfund transfers for the year ended June 30, 2023, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Sewer Fund	\$ 11,231	\$ -
ARPA Fund	-	11,231
Totals	<u>\$ 11,231</u>	<u>\$ 11,231</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

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

As of the release of this report, management and Council are evaluating the terms of repayment related to these balances.

Note 6-Long-term Obligations:**Governmental Activities Obligations:**

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2023:

	<u>Beginning Balance</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Ending Balance</u>
Direct borrowings and direct placements:				
Notes Payable	\$ 560,167	\$ -	\$ (67,953)	\$ 492,214
Net pension liability	1,569,144	793,187	(618,206)	1,744,125
Net OPEB liability	298,684	226,843	(307,120)	218,407
Total OPEB liability	342,576	52,449	(17,336)	377,689
Compensated absences	190,256	158,621	(142,691)	206,186
Total	<u>\$ 2,960,827</u>	<u>\$ 1,231,100</u>	<u>\$ (1,153,306)</u>	<u>\$ 3,038,621</u>

TOWN OF BIG STONE GAP, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2023

Note 6-Long-term Obligations: (Continued)

Governmental Activities Obligations: (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Direct Borrowings and Direct Placements	
	Notes Payable	
	Principal	Interest
2024	\$ 61,806	\$ 14,868
2025	55,572	12,743
2026	50,723	11,187
2027	50,603	9,686
2028	52,393	10,144
2029-2032	221,117	15,673
Totals	\$ 492,214	\$ 74,301

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Installment Amounts	Amount of Original Issue	Total Amount	Amount Due Within One Year
<u>Direct Borrowings and Placements - Notes Payable:</u>							
Note Payable - Visitor's Center	3.00%	3/14/2012	4/1/2032	\$1,300 (m)	\$ 165,000	\$ 101,710	\$ 8,547
Note Payable - PVNB - Parking Lots	3.05%	9/28/2015	9/28/2025	\$630 (m)	65,000	16,409	7,164
Note Payable - RD - Excavator	3.88%	1/30/2019	2/28/2024	\$581 (m)	31,600	3,887	3,887
Note Payable - RD - Dump Truck	3.88%	12/13/2018	1/13/2024	\$763 (m)	41,500	4,208	4,208
Note Payable - PVNB - Fire Truck	1.88%	4/1/2021	4/1/2032	\$43,000 (a+)	440,000	366,000	38,000
Total notes payable						\$ 492,214	\$ 61,806
<u>Other Obligations:</u>							
Compensated absences						\$ 206,186	\$ 68,041
Net pension liability						1,744,125	-
Net OPEB liability						218,407	-
Total OPEB liability						377,689	-
Total other obligations						\$ 2,546,407	\$ 68,041
Total long-term obligations						\$ 3,038,621	\$ 129,847

(a+) annual principal installments shown do not include semi-annual interest installments

(m) monthly principal and interest payments

TOWN OF BIG STONE GAP, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 6-Long-term Obligations: (Continued)

Business-type Activities Obligations:

The following is a summary of long-term obligation transactions of the Enterprise Funds for the year ended June 30, 2023:

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance
Direct borrowings and direct placements:				
General obligation bonds	\$ 2,856,042	\$ -	\$ (256,958)	\$ 2,599,084
Revenue bonds	9,078,351	-	(426,534)	8,651,817
Financed purchase	23,839	-	(16,656)	7,183
Net pension liability	931,444	445,273	(360,280)	1,016,437
Total OPEB liability	203,353	29,930	(13,174)	220,109
Compensated absences	151,798	124,299	(113,849)	162,248
Total	\$ 13,244,827	\$ 599,502	\$ (1,187,451)	\$ 12,656,878

Annual requirements to amortize long-term obligations and the related interest are as follows:

Year Ending June 30,	Direct Borrowings and Direct Placements			
	Bonds Payable		Financed Purchase	
	Principal	Interest	Principal	Interest
2024	\$ 698,856	218,401	\$ 7,183	\$ 102
2025	714,366	209,453	-	-
2026	693,217	200,146	-	-
2027	720,076	190,300	-	-
2028	731,618	179,957	-	-
2029-2033	3,847,111	710,023	-	-
2034-2038	3,375,905	246,253	-	-
2039-2043	212,162	37,480	-	-
2044-2048	115,901	20,642	-	-
2049-2053	75,573	12,546	-	-
2054-2058	62,176	3,284	-	-
2059	3,940	7	-	-
Totals	\$ 11,250,901	\$ 2,028,492	\$ 7,183	\$ 102

TOWN OF BIG STONE GAP, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2023

Note 6-Long-term Obligations: (Continued)

Business-type Activities Obligations: (Continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Installment Amounts	Amount of Original Issue	Total Amount	Amount Due Within One Year
Direct Borrowings and Placements - Bonds Payable:							
General obligation and revenue bond - VRA - Water	3.00%	6/20/2013	1/1/2044	\$9,389 (a+)	\$ 363,937	\$ 274,177	\$ 11,801
General obligation and revenue bond - RD - Water	1.88%	11/1/2018	12/19/2058	\$1,091 (m)	361,000	337,339	6,825
Lease revenue bond - VRA - Water	0.00%	6/16/2005	1/1/2036	\$19,141 (a+)	1,148,460	476,614	38,129
General obligation and revenue bond - VRA - Water	0.00%	9/19/2008	7/1/2039	\$18,691 (a+)	1,121,445	478,493	29,906
General obligation and revenue bond - VRA - Water	2.50%	6/13/2017	11/1/2047	\$1,805 (a+)	75,000	64,365	1,988
Lease revenue bond - PVNB - Water	1.88%	4/13/2021	4/1/2037	\$219,000-\$343,000 (b+)	4,424,000	3,987,000	221,000
Lease revenue bond - Sterling refunding - Water	3.29%	9/1/2017	1/15/2037	\$69,007-\$240,899 (a+)	2,618,880	2,353,000	138,000
Lease revenue bond - VRA - Water	2.30%	12/17/2019	4/1/2050	\$5,665 (a+)	241,700	223,848	6,145
Lease revenue bond - VRA - Sewer	0.00%	12/17/2005	3/1/2027	\$21,500 (a+)	860,000	98,355	39,342
General obligation and revenue bond - VRA - Sewer	0.00%	12/17/2008	4/1/2030	\$100,575 (a+)	4,023,000	1,407,431	201,062
General obligation and revenue bond - VRA - Sewer	0.00%	12/1/2011	5/1/2032	\$2,329 (a+)	93,191	37,279	4,658
Lease revenue bond - Sterling refunding - Sewer	3.29%	9/1/2017	1/15/2037	\$69,007-\$240,899 (a+)	1,605,120	1,513,000	-
Total bonds payable						\$ 11,250,901	\$ 698,856
Direct Borrowings and Placements - Financed Purchases:							
Financed Purchase- Carter Machinery backhoe	4.89%	9/25/2018	11/13/2023	\$1,457 (m)	\$ 77,400	\$ 7,183	\$ 7,183
Total direct borrowings and placements						\$ 11,258,084	\$ 706,039
Other Obligations:							
Compensated absences						\$ 162,248	\$ 53,542
Net pension liability						1,016,437	-
Total OPEB liability						220,109	-
Total other obligations						\$ 1,398,794	\$ 53,542
Total long-term obligations						\$ 12,656,878	\$ 759,581

(a+)semi-annual principal and interest installments

(b+)annual principal installments shown do not include semi-annual interest installments

(m) monthly principal and interest payments

Collateral:

The Town's notes payable and financed purchases are all collateralized by the indicated equipment or property.

Debt Purpose:

All of the bonds issued in either the governmental activities or business-type activities as listed above were issued for capital projects, land purchases, or refunding bonds previously issued for capital projects.

Events of Default:

The Town's outstanding notes from direct borrowings and direct placements related to both governmental activities and business-type activities contain a provision that in an event of default, outstanding amounts become immediately due if the Town is unable to make payment. In addition, the Town's general obligation bonds are subject to the state aid intercept program. Under terms of the program, the Town's State aid is redirected to bond holders to cure any event(s) of default.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 7-Fund Balances - Governmental Funds:

As of June 30, 2023, fund balances are composed of the following:

	<u>General Fund</u>
Nonspendable:	
Due from internal funds	\$ 695,040
Prepaid expenses	10,200
Total nonspendable	<u>\$ 705,240</u>
Restricted:	
Law Enforcement	\$ 334,057
Glencoe Cemetery	41,351
Parks and Recreation	31,331
Community Development	685,565
Total restricted	<u>\$ 1,092,304</u>
Committed:	
Fire Department	\$ 44,653
Public Works	24,324
Parks and Recreation	15,600
Total committed	<u>\$ 84,577</u>
Assigned:	
Law Enforcement	\$ 30,145
Fire Department	18,683
Public Works	55,531
Parks and Recreation	7,010
Total assigned	<u>\$ 111,369</u>
Unassigned	<u>\$ 1,568,242</u>
Total fund balances	<u>\$ 3,561,732</u>

Note 8-Pension Plan:***Plan Description***

All full-time, salaried permanent employees of the Town are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple employer plan 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.

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 8-Pension Plan: (Continued)

Benefit Structures (continued)

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 8-Pension Plan: (Continued)***Average Final Compensation and Service Retirement Multiplier***

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier 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.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	70
Inactive members:	
Vested inactive members	3
Non-vested	34
Inactive members active elsewhere in VRS	37
Total inactive members	74
Active members	57
Total covered employees	201

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 8-Pension Plan: (Continued)

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 employer contribution rate for the year ended June 30, 2023 was 18.39% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 \$388,592 and \$390,344 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net Pension Liability

The 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 the Town of Big Stone Gap, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022.

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, 2021, 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, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 8-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates:

All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee 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 of 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, 2021 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 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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 8-Pension Plan: (Continued)**Actuarial Assumptions - General Employees (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 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 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 age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 8-Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

Mortality rates:

All Others (Non-10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service-related

Pre-Retirement:

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

Mortality Improvements:

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, 2021 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 as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 8-Pension Plan: (Continued)***Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)***

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 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	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 8-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)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

* The above allocation provides a one-year expected return of 7.83%. 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 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 8-Pension Plan: (Continued)**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; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, 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, 2021 actuarial valuations, whichever was greater. From July 1, 2022 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.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 15,008,280	\$ 12,507,692	\$ 2,500,588
Changes for the year:			
Service cost	\$ 226,937	\$ -	\$ 226,937
Interest	998,345	-	998,345
Differences between expected and actual experience	(512,906)	-	(512,906)
Contributions - employer	-	372,310	(372,310)
Contributions - employee	-	92,989	(92,989)
Net investment income	-	(5,325)	5,325
Benefit payments, including refunds of employee contributions	(889,841)	(889,841)	-
Administrative expenses	-	(7,856)	7,856
Other changes	-	284	(284)
Net changes	\$ (177,465)	\$ (437,439)	\$ 259,974
Balances at June 30, 2022	\$ 14,830,815	\$ 12,070,253	\$ 2,760,562

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 8-Pension Plan: (Continued)***Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate***

The following presents the net pension liability (asset) of the Town using the discount rate of 6.75%, as well as what the Town's net pension liability (asset) 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:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town's Net Pension Liability (Asset)	\$ 4,537,426	\$ 2,760,562	\$ 1,292,633

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

For the year ended June 30, 2023, the Town recognized pension expense of \$216,802. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 306,100
Change in assumptions	83,127	-
Net difference between projected and actual earnings on pension plan investments	-	366,490
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,547	10,547
Employer contributions subsequent to the measurement date	388,592	-
Total	\$ 482,266	\$ 683,137

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 8-Pension Plan: (Continued)***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

\$388,592 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 (Asset) in the year fiscal ending June 30, 2024. 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>		
2024	\$	(303,845)
2025		(206,505)
2026		(246,115)
2027		167,002
2028		-
Thereafter		-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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TOWN OF BIG STONE GAP, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 9-Capital Assets:

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,620,893	\$ -	\$ -	\$ 2,620,893
Construction in progress	160,233	960,465	-	1,120,698
Total capital assets not being depreciated	<u>\$ 2,781,126</u>	<u>\$ 960,465</u>	<u>\$ -</u>	<u>\$ 3,741,591</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,711,133	\$ 278,693	\$ -	\$ 4,989,826
Machinery, equipment, and vehicles	4,453,035	531,419	(34,733)	4,949,721
Infrastructure	8,182,076	15,880	-	8,197,956
Total capital assets being depreciated	<u>\$ 17,346,244</u>	<u>\$ 825,992</u>	<u>\$ (34,733)</u>	<u>\$ 18,137,503</u>
Accumulated depreciation:				
Buildings and improvements	\$ (2,384,626)	\$ (146,965)	\$ -	\$ (2,531,591)
Machinery, equipment, and vehicles	(3,497,437)	(289,172)	26,940	(3,759,669)
Infrastructure	(4,776,581)	(165,132)	-	(4,941,713)
Total accumulated depreciation	<u>\$ (10,658,644)</u>	<u>\$ (601,269)</u>	<u>\$ 26,940</u>	<u>\$ (11,232,973)</u>
Total capital assets being depreciated, net	<u>\$ 6,687,600</u>	<u>\$ 224,723</u>	<u>\$ (7,793)</u>	<u>\$ 6,904,530</u>
Governmental activities capital assets, net	<u>\$ 9,468,726</u>	<u>\$ 1,185,188</u>	<u>\$ (7,793)</u>	<u>\$ 10,646,121</u>

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

Governmental Activities:

General government administration	\$ 102,394
Public safety	160,140
Public works	110,010
Parks, recreation, and cultural	<u>228,725</u>
Total depreciation expense-governmental activities	<u>\$ 601,269</u>

TOWN OF BIG STONE GAP, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 9-Capital Assets: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 880,000	\$ -	\$ -	\$ 880,000
Construction in progress	232,856	135,575	-	368,431
Total capital assets not being depreciated	<u>\$ 1,112,856</u>	<u>\$ 135,575</u>	<u>\$ -</u>	<u>\$ 1,248,431</u>
Capital assets, being depreciated:				
Utility plant and equipment	\$ 50,360,321	\$ 91,115	\$ -	\$ 50,451,436
Buildings and improvements	337,615	-	-	337,615
Machinery, equipment, and vehicles	2,358,090	30,288	(39,026)	2,349,352
Total capital assets being depreciated	<u>\$ 53,056,026</u>	<u>\$ 121,403</u>	<u>\$ (39,026)</u>	<u>\$ 53,138,403</u>
Accumulated depreciation:				
Utility plant and equipment	\$ (26,971,754)	\$ (860,950)	\$ -	\$ (27,832,704)
Buildings and improvements	(240,336)	(3,656)	-	(243,992)
Machinery, equipment, and vehicles	(1,625,969)	(141,990)	39,026	(1,728,933)
Total accumulated depreciation	<u>\$ (28,838,059)</u>	<u>\$ (1,006,596)</u>	<u>\$ 39,026</u>	<u>\$ (29,805,629)</u>
Total capital assets being depreciated, net	<u>\$ 24,217,967</u>	<u>\$ (885,193)</u>	<u>\$ -</u>	<u>\$ 23,332,774</u>
Business-type activities capital assets, net	<u>\$ 25,330,823</u>	<u>\$ (749,618)</u>	<u>\$ -</u>	<u>\$ 24,581,205</u>

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

Business-type Activities:

Water	\$ 617,052
Sewer	<u>389,544</u>

Total depreciation expense - business-type activities \$ 1,006,596

Note 10-Other Postemployment Benefits - Health Insurance:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 10-Other Postemployment Benefits - Health Insurance: (Continued)

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.

Plan Membership

At June 30, 2023 (measurement date), the following employees were covered by the benefit terms:

Total active employees	57
Total retired employees	<u>6</u>
Total	<u><u>63</u></u>

Total OPEB Liability

The Town's Total OPEB Liability of \$597,798 was measured as of June 30, 2023 and was determined under the Alternative Measurement Method (AMM) as of June 30, 2023.

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

The total OPEB liability in the June 30, 2023 Alternative Measurement Method was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.00% per year
Discount rate	3.25% per year
Retiree's share of benefit-related costs	100% of projected health insurance premiums for retirees
Healthcare Trend Rate - Medical	The medical healthcare trend rate assumption starts at 4.70% and before ultimately decreasing to 4.20%
Healthcare Trend Rate - Pharmacy	The pharmacy trend rate assumption starts at 5.20% and ultimately decreasing to 4.20%
Healthcare Trend Rate - Dental	The dental healthcare trend rate assumption starts at 3.50% and decreases after one year to a constant 3.00%
Healthcare Trend Rate - Vision	The vision healthcare trend rate assumption starts at 3.00% remains constant

The discount was based on the Gretzen Trend Model and *Milliman's Health Cost Guidelines*.

Mortality rates were from the Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 10-Other Postemployment Benefits - Health Insurance: (Continued)***Changes in Total OPEB Liability***

	Total OPEB Liability
Balances at June 30, 2022	\$ 545,929
Charges for the year:	
Service cost	34,269
Interest	19,548
Effect of economic/demographic gains or losses	17,118
Changes of assumptions	8,374
Benefit payments, including refunds of employee	(27,440)
Net changes	\$ 51,869
Balance at June 30, 2023	\$ 597,798

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town using the discount rate of 3.25%, as well as the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.25%) or one percentage point higher (4.25%) than the current rate:

	1% Decrease (2.25%)	Current Discount (3.25%)	1% Increase (4.25%)
Total OPEB Liability	\$ 640,279	\$ 597,798	\$ 556,676

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:

	Healthcare Cost Trend Rates		
	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 539,564	\$ 597,798	\$ 662,790

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 10-Other Postemployment Benefits - Health Insurance: (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2023, the Town recognized OPEB expense in the amount of \$79,308. The Town's OPEB plan does not have assets in a trust, therefore, deferred inflows/outflows are \$0 at June 30, 2023.

Additional disclosures on changes in total OPEB liability and related ratios can be found in the required supplementary information following the notes to the financial statements.

Note 11- Other Postemployment Benefits - Line of Duty Act (LODA) Program:

Plan Description

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) 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. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System). 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.

The specific information for LODA OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

All paid employees and volunteers in hazardous duty positions in Virginia localities as well as 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 LODA Program. As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program.

Benefit Amounts

The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after; \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date; or an additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

The LODA program also provides health insurance benefits. The health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 11- Other Postemployment Benefits - Line of Duty Act (LODA) Program: (Continued)

Contributions

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2023 was \$681.84 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA from the entity were \$5,455 and \$7,948 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

At June 30, 2023, the entity reported a liability of \$218,407 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2022 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2022 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2022, the entity's proportion was 0.05770% as compared to 0.06773% at June 30, 2021.

For the year ended June 30, 2023, the entity recognized LODA OPEB expense \$21,531. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 11- Other Postemployment Benefits - Line of Duty Act (LODA) Program: (Continued)

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB: (Continued)

At June 30, 2023, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 16,780	\$ 40,820
Net difference between projected and actual earnings on LODA OPEB program investments	-	934
Change in assumptions	60,908	53,869
Changes in proportionate share	22,713	69,422
Employer contributions subsequent to the measurement date	<u>5,455</u>	<u>-</u>
Total	<u>\$ 105,856</u>	<u>\$ 165,045</u>

\$5,455 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year Ended June 30

2024	\$ (7,842)
2025	(7,822)
2026	(7,801)
2027	(6,663)
2028	(8,378)
Thereafter	(26,138)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 11- Other Postemployment Benefits - Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Locality employees	N/A
Medical cost trend rates assumption:	
Under age 65	7.00%-4.75%
Ages 65 and older	5.25%-4.75%
Year of ultimate trend rate:	
Under age 65	Fiscal year ended 2028
Age 65 and older	Fiscal year ended 2023
Investment rate of return	3.69%, including inflation*

* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.69% was used since it approximates the risk-free rate of return.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 11- Other Postemployment Benefits - Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

Pub-2010 Amount Weighted Safety Employee 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 Employee Rates projected generationally, 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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 Pub-2010 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	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 11- Other Postemployment Benefits - Line of Duty Act (LODA) Program: (Continued)

Net LODA OPEB Liability

The net OPEB liability (NOL) for the LODA Program represents the program's total OPEB liability, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the LODA Program are as follows (amounts expressed in thousands):

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 385,669
Plan Fiduciary Net Position	<u>7,214</u>
LODA Net OPEB Liability (Asset)	<u><u>\$ 378,455</u></u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.87%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.69% 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 3.69% 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, 2022.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.69%. 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 ended June 30, 2022, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 11- Other Postemployment Benefits - Line of Duty Act (LODA) Program: (Continued)

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA 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 3.69%, 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 (2.69%) or one percentage point higher (4.69%) than the current rate:

	Rate		
	1% Decrease (2.69%)	Current Discount (3.69%)	1% Increase (4.69%)
The Town's proportionate share of the LODA Net OPEB Liability	\$ 249,309	\$ 218,407	\$ 193,125

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the LODA Program contains a provision 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 the 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:

	Health Care Trend Rates		
	1% Decrease (6.00% decreasing to 3.75%)	Current (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
The Town's proportionate share of the LODA Net OPEB Liability	\$ 249,309	\$ 218,407	\$ 193,125

LODA OPEB Fiduciary Net Position

Detailed information about the LODA Program Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF BIG STONE GAP, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 12-OPEB Summary:

	Deferred Outflows	Deferred Inflows	Total/ Net OPEB Liabilities	OPEB Expense
Health Insurance OPEB (Note 10)	\$ -	\$ -	\$ 597,798	\$ 79,308
VRS Line of Duty Act (LODA) Program (Note 11)	105,856	165,045	218,407	21,531
Total	<u>\$ 105,856</u>	<u>\$ 165,045</u>	<u>\$ 816,205</u>	<u>\$ 100,839</u>

Note 13-Deferred/ Unavailable Revenue:

Unavailable 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. Under the accrual basis, assessments for future periods are deferred. Unavailable revenue is comprised of the following:

	Government-wide Statements Governmental Activities	Balance Sheet Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 231,869
Tax assessments due after June 30	1,174,436	1,174,436
Prepaid property taxes due after June 30 but paid in advance by taxpayers	<u>11,756</u>	<u>11,756</u>
Total	<u>\$ 1,186,192</u>	<u>\$ 1,418,061</u>

Note 14-Commitments:

At June 30, 2023, the Town had the following outstanding construction commitments:

Project	Amount of Contract	Amount Outstanding	Accounts Payable	Retainage Payable
King General Contractors, Inc. - Greenbelt Walking Trail Phase V	\$ 1,158,950	\$ 470,802	\$ 105,006	\$ -
The Lane Group Inc. - Water Loss Improvements Project	473,436	263,566	-	-
Total	<u>\$ 1,632,386</u>	<u>\$ 734,368</u>	<u>\$ 105,006</u>	<u>\$ -</u>

TOWN OF BIG STONE GAP, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 15-Lease Receivable:

The following is a summary of leases receivable transactions of the Town for the year ended June 30, 2023:

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance	Interest Revenue
Leases receivable	\$ 20,191	\$ -	\$ (20,191)	\$ -	\$ 523

Note 16-Encumbrances Outstanding:

Outstanding encumbrances of the proprietary fund types are not reflected in the accompanying financial statements as a commitment of net position, 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, 2023, 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
Public Works - Street lights	\$ -	\$ -	\$ 54,892
Other	-	-	7,649
Total	\$ -	\$ -	\$ 62,541

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TOWN OF BIG STONE GAP, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 17-Restatement of Beginning Balances:

The below schedule represents the restatement of beginning balances:

	<u>General Fund</u>	
Fund balance, as previously reported	\$ 3,027,967	
Restatements:		
Correct liabilities by recording prepaid taxes	(22,865)	
Correct liabilities by reclassifying restricted drug enforcement funds as fund balance restriction	307,313	
Correct lessor activity to record it on a fund basis	367	
Correct accounts receivable to record insurance recovery in correct period	44,969	
Correct prepaid expenses by recording unrecorded item	3,900	
Fund balance, as restated	<u>\$ 3,361,651</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net position, as previously reported	\$ 9,406,957	\$ 14,431,170
Restatements:		
Correct accounts payable to record unrecorded item	-	(19,718)
Correct lessor activity to record it on a fund basis	(367)	-
Correct deferred inflows of resources	(25,001)	-
Fund balance restatements (above)	333,684	-
Net position, as restated	<u>\$ 9,715,273</u>	<u>\$ 14,411,452</u>

Note 18-Subsequent Events:

In October 2023, the Town issued a \$1,762,000 bond anticipation note at 4.95% for 18 months. Subsequently, the Town accepted Rural Development Bonds on April 9, 2024, to replace this note.

On November 20, 2023, the Town paid for general paving services of \$234,375.

On December 1, 2023, the Town purchased body cameras and an accompanying five-year video-as-a-service plan for \$115,371.

In December 2023, the Town was awarded \$1,291,524 in CDBG funding from Virginia Department of Housing and Community Development for the East Stone Comprehensive Utility System Improvements Project.

On February 6, 2024, the Town purchased a T770 Track Loader for \$103,069.

On February 26, 2024, the Town finished paying for water plant equipment totaling \$193,198.

On March 12, 2024, the Town approved a \$4.3 million contract for System Wide Water Loss Improvements, which is financed with the RD bonds noted above and grants from VDH.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 18-Subsequent Events: (Continued)

In February 2025, the Town was awarded \$700,000 in federal ARC funds for the Big Cherry Regional Recreation Enhanced Infrastructure Project.

On March 5, 2025, the Town entered into a contract for a rotary belt press for \$341,847, and paid \$188,016, with the remaining due upon final delivery.

On October 22, 2025, the Town purchased a new John Deere tractor and equipment for \$169,114.

In October 2025, the Town was awarded \$950,000 from the Abandoned Mine Land Economic Revitalization Program for the Greenbelt bridge project.

In January 2026, the Town finished a skate park project totaling \$540,360.

On February 12, 2026 the Town closed on a water revenue bond in the amount of \$1,762,000 with USDA Rural Development that has a debt service reserve requirement.

Note 19-Upcoming Pronouncements:

Statement No. 99, *Omnibus 2022*, addresses (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 effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, provides more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

Implementation Guide No. 2021-1, *Implementation Guidance Update - 2021*, with dates ranging from reporting periods beginning after June 15, 2022 to reporting periods beginning after June 15, 2023.

Implementation Guide No. 2023-1, *Implementation Guide No. - 2023*, effective for fiscal years beginning after June 15, 2023.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Required Supplementary Information

Town of Big Stone Gap, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
General property taxes	\$ 1,065,233	\$ 1,065,233	\$ 1,091,646	\$ 26,413
Other local taxes	1,916,100	1,916,100	2,224,146	308,046
Fines and forfeitures	10,500	10,500	50,557	40,057
Revenue from the use of money and property	27,450	27,450	32,426	4,976
Charges for services	373,800	373,800	469,437	95,637
Miscellaneous	238,450	337,200	370,361	33,161
Recovered costs	125,000	125,000	181,855	56,855
Intergovernmental:				
Commonwealth	1,383,200	1,383,200	1,574,505	191,305
Federal	585,900	600,770	651,650	50,880
Total revenues	<u>\$ 5,725,633</u>	<u>\$ 5,839,253</u>	<u>\$ 6,646,583</u>	<u>\$ 807,330</u>
EXPENDITURES				
Current:				
General government administration	\$ 766,550	\$ 766,550	\$ 885,327	\$ (118,777)
Public safety	1,745,550	1,859,170	1,755,355	103,815
Public works	1,514,600	1,514,600	1,464,709	49,891
Health and welfare	34,933	34,933	34,933	-
Parks, recreation, and cultural	1,205,300	1,205,300	1,168,606	36,694
Community development	-	-	337,479	(337,479)
Capital projects	589,300	589,300	714,856	(125,556)
Debt service:				
Principal	69,400	69,400	67,953	1,447
Interest and other fiscal charges	-	-	17,284	(17,284)
Total expenditures	<u>\$ 5,925,633</u>	<u>\$ 6,039,253</u>	<u>\$ 6,446,502</u>	<u>\$ (407,249)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (200,000)</u>	<u>\$ (200,000)</u>	<u>\$ 200,081</u>	<u>\$ 400,081</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 200,000	\$ 200,000	\$ -	\$ (200,000)
Total other financing sources (uses)	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ (200,000)</u>
Net change in fund balances	\$ -	\$ -	\$ 200,081	\$ 200,081
Fund balances - beginning, as previously reported	\$ -	\$ -	\$ 3,027,967	\$ 3,027,967
Restatements	-	-	333,684	333,684
Fund balances - beginning, as restated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,361,651</u>	<u>\$ 3,361,651</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,561,732</u>	<u>\$ 3,561,732</u>

Town of Big Stone Gap, Virginia
Special Revenue Fund - ARPA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Intergovernmental revenues:				
Federal	\$ -	\$ -	\$ 1,129,777	\$ 1,129,777
Total revenues	\$ -	\$ -	\$ 1,129,777	\$ 1,129,777
EXPENDITURES				
Current:				
General government administration	\$ -	\$ -	\$ 139,947	\$ (139,947)
Capital projects	-	-	978,599	(978,599)
Total expenditures	\$ -	\$ -	\$ 1,118,546	\$ (1,118,546)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 11,231	\$ 11,231
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (11,231)	\$ (11,231)
Total other financing sources and uses	\$ -	\$ -	\$ (11,231)	\$ (11,231)
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Town of Big Stone Gap, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 226,937	\$ 205,982	\$ 207,121	\$ 198,923	\$ 204,457	\$ 240,718	\$ 238,286	\$ 233,077	\$ 216,422
Interest	998,345	937,578	885,666	883,223	873,161	837,453	810,200	782,716	763,442
Changes in benefit terms	(512,906)	(129,026)	535,593	(6,860)	(35,500)	251,585	-	-	-
Differences between expected and actual experience	-	532,458	-	356,731	-	17,544	186,519	153,591	-
Changes of assumptions	-	(857,526)	(861,099)	(995,897)	(800,863)	(922,095)	(769,268)	(784,241)	(624,795)
Benefit payments	(889,841)	689,466	767,281	436,120	241,255	449,499	465,737	385,143	355,069
Net change in total pension liability	\$ (177,465)	\$ (857,526)	\$ 767,281	\$ 436,120	\$ 241,255	\$ 449,499	\$ 465,737	\$ 385,143	\$ 355,069
Total pension liability - beginning	15,008,280	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 (a)	\$ 14,830,815	\$ 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	\$ 372,310	\$ 356,148	\$ 320,503	\$ 313,325	\$ 331,565	\$ 313,404	\$ 285,769	\$ 309,292	\$ 259,446
Contributions - employee	92,989	89,856	91,745	89,661	91,172	86,454	88,684	97,469	96,016
Net investment income	(5,325)	2,739,083	196,652	667,434	733,562	1,124,759	160,213	435,518	1,335,250
Benefit payments	(889,841)	(857,526)	(861,099)	(995,897)	(800,863)	(922,095)	(769,268)	(784,241)	(624,795)
Administrator charges	(7,856)	(7,023)	(6,950)	(7,073)	(6,516)	(6,889)	(6,136)	(6,239)	(7,355)
Other	284	257	(230)	(417)	(644)	(980)	(69)	(89)	71
Net change in plan fiduciary net position	\$ (437,439)	\$ 2,320,795	\$ (259,379)	\$ 67,033	\$ 348,276	\$ 594,653	\$ (240,807)	\$ 51,710	\$ 1,058,633
Plan fiduciary net position - beginning	12,507,692	10,186,897	10,446,276	10,379,243	10,030,967	9,436,314	9,677,121	9,625,411	8,566,778
Plan fiduciary net position - ending (b)	\$ 12,070,253	\$ 12,507,692	\$ 10,186,897	\$ 10,446,276	\$ 10,379,243	\$ 10,030,967	\$ 9,436,314	\$ 9,677,121	\$ 9,625,411
Town's net pension liability (asset) - ending (a) - (b)	\$ 2,760,562	\$ 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	81.39%	83.34%	71.14%	77.09%	79.14%	77.92%	75.95%	80.92%	83.17%
Covered payroll	\$ 2,037,287	\$ 1,945,243	\$ 1,975,431	\$ 1,974,058	\$ 1,864,158	\$ 1,862,888	\$ 1,867,213	\$ 1,846,434	\$ 1,905,130
Town's net pension liability (asset) as a percentage of covered payroll	135.50%	128.55%	209.17%	157.30%	146.78%	152.62%	160.04%	123.58%	102.27%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

**Town of Big Stone Gap, Virginia
Schedule of Employer Contributions
Pension Plan**

For the Years Ended June 30, 2014 through June 30, 2023

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2023	\$ 388,592	\$ 388,592	\$ -	\$ 2,222,490	17.48%
2022	390,344	390,344	-	2,037,287	19.16%
2021	320,541	320,541	-	1,945,243	16.48%
2020	325,188	325,188	-	1,975,431	16.46%
2019	336,622	336,622	-	1,974,058	17.05%
2018	317,529	317,529	-	1,864,158	17.03%
2017	374,037	374,037	-	1,862,888	20.08%
2016	310,210	310,210	-	1,867,213	16.61%
2015	259,244	259,244	-	1,846,434	14.04%
2014	248,864	248,864	-	1,905,130	13.06%

*Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

Town of Big Stone Gap, Virginia
Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2023

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2021 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:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 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 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 age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 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	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Town of Big Stone Gap, Virginia
Schedule of Changes in Total OPEB Liability and Related Ratios
Town Health Insurance

For the Measurement Dates of June 30, 2018 through June 30, 2023

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	\$ 34,269	\$ 35,443	\$ 47,647	\$ 38,950	\$ 160,493	\$ 123,525
Interest	19,548	13,728	16,629	26,786	102,396	132,882
Changes of assumptions	8,374	(40,451)	(140,316)	(133,574)	(1,947,247)	(213,601)
Differences between expected and actual experience	17,118	(48,841)	2,916	78,698	24,564	(3,129)
Benefit payments	(27,440)	(27,853)	(35,282)	(51,576)	(57,102)	(62,580)
Net change in total OPEB liability	\$ 51,869	\$ (67,974)	\$ (108,406)	\$ (40,716)	\$ (1,716,896)	\$ (22,903)
Total OPEB liability - beginning	545,929	613,903	722,309	763,025	2,479,921	2,502,824
Total OPEB liability - ending	\$ 597,798	\$ 545,929	\$ 613,903	\$ 722,309	\$ 763,025	\$ 2,479,921
Covered payroll	\$ 2,319,832	\$ 2,096,909	\$ 1,961,726	\$ 1,999,872	\$ 1,985,346	\$ 1,872,398
Town's total OPEB liability as a percentage of covered payroll	25.77%	26.03%	31.29%	36.12%	38.43%	132.45%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Town of Big Stone Gap, Virginia
Notes to Required Supplementary Information - Town Health Insurance
For the Year Ended June 30, 2023

Valuation Date: 6/30/2023

Measurement Date: 6/30/2023

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry Age Normal
Discount Rate	3.25% as of June 30, 2023
Healthcare Trend Rate - Medical	The medical healthcare trend rate assumption starts at 4.70% and before ultimately decreasing to 4.20%
Healthcare Trend Rate - Pharmacy	The pharmacy trend rate assumption starts at 5.20% and ultimately decreasing to 4.20%
Healthcare Trend Rate - Dental	The dental healthcare trend rate assumption starts at 3.50% and decreases after one year to a constant 3.00%
Healthcare Trend Rate - Vision	The vision healthcare trend rate assumption starts at 3.00% remains constant
Salary Increase Rates	3.00% per year as of June 30, 2023
Retirement Age	The average age at retirement is 60
Mortality Rates	Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years

Town of Big Stone Gap, Virginia
Schedule of Town's Share of Net LODA OPEB Liability
Line of Duty Act (LODA) Program
For the Measurement Dates of June 30, 2017 through June 30, 2022

Date (1)	Employer's Proportion of the Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered- Employee Payroll * (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2022	0.05770% \$	218,407 \$	661,097	33.04%	1.87%
2021	0.06773%	298,684	638,769	46.76%	1.68%
2020	0.06232%	261,005	645,144	40.46%	1.02%
2019	0.06310%	226,394	627,600	36.07%	0.79%
2018	0.07991%	250,000	627,240	39.86%	0.60%
2017	0.07365%	193,000	585,829	32.94%	1.30%

*The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Town of Big Stone Gap, Virginia
 Schedule of Employer Contributions
 Line of Duty Act (LODA) Program
 For the Years Ended June 30, 2014 through June 30, 2023

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2023	\$ 5,455	\$ 5,455	\$ -	\$ 640,744	0.85%
2022	7,948	7,948	-	661,097	1.20%
2021	9,325	9,325	-	637,769	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%

Town of Big Stone Gap, Virginia
Notes to Required Supplementary Information
Line of Duty Act (LODA) Program
For the Year Ended June 30, 2023

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2021 valuation were based on results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Employees in the Non-Largest Ten Locality Employers with Public Safety Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 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	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Other Supplementary Information

Town of Big Stone Gap, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

Schedule 1
Page 1 of 3

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real Property Tax	\$ 876,833	\$ 876,833	\$ 832,118	\$ (44,715)
Real and Personal PSC Tax	48,000	48,000	68,482	20,482
Personal Property Tax	103,000	103,000	148,513	45,513
Mobile Home Tax	2,700	2,700	1,059	(1,641)
Machinery and Tools Tax	700	700	-	(700)
Penalties	15,000	15,000	17,643	2,643
Interest	19,000	19,000	23,831	4,831
Total general property taxes	\$ 1,065,233	\$ 1,065,233	\$ 1,091,646	\$ 26,413
Other local taxes:				
Local sales and use taxes	\$ 210,000	\$ 210,000	\$ 280,084	\$ 70,084
Consumers' utility taxes	93,000	93,000	94,543	1,543
Cigarette tax	94,000	94,000	92,277	(1,723)
Business license taxes	298,000	298,000	319,158	21,158
Consumption taxes	18,300	18,300	15,541	(2,759)
Coal severance taxes	30,000	30,000	33,791	3,791
Motor vehicle licenses	70,000	70,000	75,076	5,076
Bank stock taxes	85,000	85,000	54,024	(30,976)
Lodging taxes	6,000	6,000	13,510	7,510
Restaurant food taxes	1,011,800	1,011,800	1,246,142	234,342
Total other local taxes	\$ 1,916,100	\$ 1,916,100	\$ 2,224,146	\$ 308,046
Fines and forfeitures:				
Court fines and forfeitures	\$ 10,500	\$ 10,500	\$ 50,557	\$ 40,057
Revenue from use of money and property:				
Revenue from use of money	\$ 4,900	\$ 4,900	\$ 8,304	\$ 3,404
Revenue from use of property	22,550	22,550	24,122	1,572
Total revenue from use of money and property	\$ 27,450	\$ 27,450	\$ 32,426	\$ 4,976
Charges for services:				
Charges for cemetery	\$ 27,000	\$ 27,000	\$ 34,735	\$ 7,735
Charges for parks and recreation	10,800	10,800	7,987	(2,813)
Charges for advertising	-	-	31,150	31,150
Charges for refuse collections	310,000	310,000	314,415	4,415
Charges for community events	26,000	26,000	81,150	55,150
Total charges for services	\$ 373,800	\$ 373,800	\$ 469,437	\$ 95,637
Miscellaneous:				
Gifts and donations	\$ 137,750	\$ 236,500	\$ 211,317	\$ (25,183)
County fire funds	28,000	28,000	50,000	22,000
Miscellaneous	72,700	72,700	109,044	36,344
Total miscellaneous	\$ 238,450	\$ 337,200	\$ 370,361	\$ 33,161

Town of Big Stone Gap, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

Schedule 1
Page 2 of 3

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Insurance recoveries	\$ -	\$ -	\$ 18,000	\$ 18,000
Wage reimbursement from water and sewer	120,000	120,000	120,000	-
Other recovered costs	5,000	5,000	43,855	38,855
Total recovered costs	<u>\$ 125,000</u>	<u>\$ 125,000</u>	<u>\$ 181,855</u>	<u>\$ 56,855</u>
 Total revenue from local sources	 \$ 3,756,533	 \$ 3,855,283	 \$ 4,420,428	 \$ 565,145
 Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Auto rental tax	\$ 3,500	\$ 3,500	\$ 2,925	\$ (575)
Rolling stock tax	8,700	8,700	8,560	(140)
Mobile home titling tax	4,500	4,500	7,125	2,625
Telecommunications Tax	160,000	160,000	132,679	(27,321)
Personal property tax relief funds	64,000	64,000	64,072	72
Total noncategorical aid	<u>\$ 240,700</u>	<u>\$ 240,700</u>	<u>\$ 215,361</u>	<u>\$ (25,339)</u>
Categorical aid:				
Other categorical aid:				
Law enforcement grants	\$ 154,400	\$ 154,400	\$ 169,827	\$ 15,427
Litter control grant	2,000	2,000	4,500	2,500
State fire funds	22,700	22,700	33,066	10,366
Street maintenance	908,900	908,900	1,067,285	158,385
Tourism grants	-	-	29,966	29,966
Other categorical aid	54,500	54,500	54,500	-
Total other categorical aid	<u>\$ 1,142,500</u>	<u>\$ 1,142,500</u>	<u>\$ 1,359,144</u>	<u>\$ 216,644</u>
Total categorical aid	<u>\$ 1,142,500</u>	<u>\$ 1,142,500</u>	<u>\$ 1,359,144</u>	<u>\$ 216,644</u>
 Total revenue from the Commonwealth	 \$ 1,383,200	 \$ 1,383,200	 \$ 1,574,505	 \$ 191,305
 Revenue from the Federal Government:				
Categorical aid:				
DMV Police grants	\$ -	\$ 9,800	\$ 9,105	\$ (695)
DCJS Police grants	-	5,070	1,405	(3,665)
Community development grants	585,900	585,900	641,140	55,240
Total categorical aid	<u>\$ 585,900</u>	<u>\$ 600,770</u>	<u>\$ 651,650</u>	<u>\$ 50,880</u>
 Total revenue from the federal government	 \$ 585,900	 \$ 600,770	 \$ 651,650	 \$ 50,880
 Total intergovernmental	 \$ 1,969,100	 \$ 1,983,970	 \$ 2,226,155	 \$ 242,185
 Total General Fund	 \$ 5,725,633	 \$ 5,839,253	 \$ 6,646,583	 \$ 807,330

Town of Big Stone Gap, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds:				
ARPA Fund:				
Revenue from the federal government:				
Categorical aid:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	\$ -	\$ -	\$ 1,129,777	\$ 1,129,777
Total revenue from the federal government	\$ -	\$ -	\$ 1,129,777	\$ 1,129,777
Total ARPA Fund	\$ -	\$ -	\$ 1,129,777	\$ 1,129,777
Total Primary Government	\$ 5,725,633	\$ 5,839,253	\$ 7,776,360	\$ 1,937,107

Town of Big Stone Gap, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

<u>Funds, Functions and Departments</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 44,100	\$ 44,100	\$ 36,846	\$ 7,254
General and financial administration:				
Town manager	\$ 207,250	\$ 207,250	\$ 192,426	\$ 14,824
Legal services	23,000	23,000	19,618	3,382
Vehicle maintenance	22,500	22,500	36,531	(14,031)
Treasurer	317,300	317,300	343,026	(25,726)
Automotive motor pool	29,800	29,800	122,232	(92,432)
Risk management	98,600	98,600	100,268	(1,668)
Audit services	24,000	24,000	34,380	(10,380)
Total general and financial administration	\$ 722,450	\$ 722,450	\$ 848,481	\$ (126,031)
Total general government administration	\$ 766,550	\$ 766,550	\$ 885,327	\$ (118,777)
Public safety:				
Law enforcement and traffic control:				
Police	\$ 1,456,500	\$ 1,471,370	\$ 1,413,831	\$ 57,539
Drug task force	137,750	236,500	155,912	80,588
Total law enforcement and traffic control	\$ 1,594,250	\$ 1,707,870	\$ 1,569,743	\$ 138,127
Fire and rescue services:				
Fire department	\$ 129,900	\$ 129,900	\$ 169,125	\$ (39,225)
Inspections:				
Building	\$ 21,400	\$ 21,400	\$ 16,487	\$ 4,913
Total public safety	\$ 1,745,550	\$ 1,859,170	\$ 1,755,355	\$ 103,815
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Street department	\$ 1,167,500	\$ 1,167,500	\$ 985,925	\$ 181,575
Total maintenance of highways, streets, bridges & sidewalks	\$ 1,167,500	\$ 1,167,500	\$ 985,925	\$ 181,575
Sanitation and waste removal:				
Refuse collections	\$ 212,900	\$ 212,900	\$ 293,919	\$ (81,019)
Maintenance of general buildings and grounds:				
General properties	\$ 134,200	\$ 134,200	\$ 184,865	\$ (50,665)
Total public works	\$ 1,514,600	\$ 1,514,600	\$ 1,464,709	\$ 49,891
Health and Welfare:				
Welfare yeah				
Property tax relief for elderly	\$ 32,433	\$ 32,433	\$ 32,433	\$ -
Area agency on aging	2,500	2,500	2,500	-
Total welfare	\$ 34,933	\$ 34,933	\$ 34,933	\$ -
Total health and welfare	\$ 34,933	\$ 34,933	\$ 34,933	\$ -

Town of Big Stone Gap, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

<u>Funds, Functions and Departments</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation department	\$ 1,061,600	\$ 1,061,600	\$ 1,046,732	\$ 14,868
Cemetery department	110,200	110,200	89,224	20,976
Total parks and recreation	<u>\$ 1,171,800</u>	<u>\$ 1,171,800</u>	<u>\$ 1,135,956</u>	<u>\$ 35,844</u>
Cultural enrichment:				
Art and other enrichment	\$ 31,000	\$ 31,000	\$ 30,150	\$ 850
Contribution to the regional library	2,500	2,500	2,500	-
Total cultural enrichment	<u>\$ 33,500</u>	<u>\$ 33,500</u>	<u>\$ 32,650</u>	<u>\$ 850</u>
Total parks, recreation, and cultural	<u>\$ 1,205,300</u>	<u>\$ 1,205,300</u>	<u>\$ 1,168,606</u>	<u>\$ 36,694</u>
Community development:				
Planning and community development:				
Economic development	\$ -	\$ -	\$ 337,479	\$ (337,479)
Total community development	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 337,479</u>	<u>\$ (337,479)</u>
Capital projects:				
Green Belt Trail	\$ 589,300	\$ 589,300	\$ 714,856	\$ (125,556)
Total capital projects	<u>\$ 589,300</u>	<u>\$ 589,300</u>	<u>\$ 714,856</u>	<u>\$ (125,556)</u>
Debt service:				
Principal retirement	\$ 69,400	\$ 69,400	\$ 67,953	\$ 1,447
Interest and other fiscal charges	-	-	17,284	(17,284)
Total debt service	<u>\$ 69,400</u>	<u>\$ 69,400</u>	<u>\$ 85,237</u>	<u>\$ (15,837)</u>
Total General Fund	<u>\$ 5,925,633</u>	<u>\$ 6,039,253</u>	<u>\$ 6,446,502</u>	<u>\$ (407,249)</u>
Special Revenue Funds:				
ARPA Fund:				
General government administration:				
General and financial administration:				
Premium pay	\$ -	\$ -	\$ 139,947	\$ (139,947)
Total general government administration	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,947</u>	<u>\$ (139,947)</u>
Capital projects:				
Vehicle replacements	\$ -	\$ -	\$ 468,995	\$ (468,995)
Outdoor fitness courts	-	-	171,065	(171,065)
Other capital projects	-	-	338,539	(338,539)
Total capital projects	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 978,599</u>	<u>\$ (978,599)</u>
Total ARPA Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,118,546</u>	<u>\$ (1,118,546)</u>
Total Primary Government	<u>\$ 5,925,633</u>	<u>\$ 6,039,253</u>	<u>\$ 7,565,048</u>	<u>\$ (1,525,795)</u>

Statistical Section

TABLE 1

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

	<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>	<u>2023</u>
Governmental activities										
Net investment in capital assets	\$ 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	\$ 10,048,901
Restricted	498,697	433,933	426,648	407,415	383,814	413,224	413,224	353,371	695,673	1,092,304
Unrestricted	2,057,576	796,031	826,637	811,270	(1,070,084)	(201,339)	(201,339)	(519,747)	111,041	82,025
Total governmental activities net position	\$ 8,042,676	\$ 7,066,550	\$ 7,815,030	\$ 9,229,081	\$ 7,962,615	\$ 8,830,088	\$ 8,830,088	\$ 8,487,306	\$ 9,715,273	\$ 11,223,230
Business-type activities										
Invested in capital assets, net of related debt	\$ 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	\$ 13,323,121
Restricted	566,989	576,522	578,654	706,781	-	-	-	-	-	-
Unrestricted	86,526	(512,924)	(299,568)	(182,020)	(208,921)	1,006,150	1,006,150	1,471,629	1,038,861	1,126,288
Total business-type activities	\$ 15,010,356	\$ 14,167,752	\$ 14,225,719	\$ 14,194,990	\$ 13,236,989	\$ 14,396,896	\$ 14,396,896	\$ 14,702,772	\$ 14,411,452	\$ 14,449,409
Primary government										
Net investment in capital assets	\$ 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	\$ 23,372,022
Restricted	1,065,686	1,010,455	1,005,302	1,114,196	383,814	413,224	413,224	353,371	695,673	1,092,304
Unrestricted	2,144,102	283,107	527,069	629,250	(1,279,005)	804,811	804,811	951,882	1,149,902	1,208,313
Total primary government net position	\$ 23,053,032	\$ 21,234,302	\$ 22,040,749	\$ 23,424,071	\$ 21,199,604	\$ 23,226,984	\$ 23,226,984	\$ 23,190,078	\$ 24,126,725	\$ 25,672,639

1) Accounting standards require net position be reported in three categories in the financial statements: net investment in capital assets; 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.

2) 2022 amounts were restated to reflect error corrections.

TABLE 2

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022 (1)	2023
Expenses										
Governmental Activities:										
General government	\$ 994,202	\$ 1,051,566	\$ 1,012,786	\$ 880,827	\$ 1,064,204	\$ 592,780	\$ 902,678	\$ 1,140,510	\$ 964,758	\$ 993,704
Public safety	1,724,958	1,412,244	1,389,878	1,557,379	1,826,662	1,134,320	1,660,460	1,715,738	1,556,764	1,921,868
Public works	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	1,554,865
Health and welfare	32,417	25,299	33,439	34,168	33,835	34,134	31,123	51,488	31,423	34,933
Parks, recreation and cultural	574,353	582,673	621,698	880,711	918,451	944,697	850,705	883,945	812,703	1,238,147
Community development	2,700	15,850	23,460	-	181,183	911,900	102,616	377,316	219,371	337,479
Interest on long-term debt	15,805	15,573	18,297	29,682	39,934	36,476	24,261	28,204	19,912	17,553
Total government activities expense	\$ 4,684,776	\$ 4,116,018	\$ 4,301,332	\$ 4,883,494	\$ 5,390,232	\$ 5,109,226	\$ 5,062,704	\$ 5,850,232	\$ 5,035,983	\$ 6,098,549
Business-Type Activities:										
Water	\$ 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	\$ 2,678,797
Wastewater	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	1,738,147
Total business-type activities expenses	\$ 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	\$ 4,416,944
Total primary government expenses	\$ 9,023,550	\$ 8,217,195	\$ 8,211,430	\$ 9,032,104	\$ 9,815,239	\$ 8,622,371	\$ 9,495,246	\$ 10,432,971	\$ 9,432,891	\$ 10,515,493
Program Revenues										
Governmental Activities:										
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,472
General government administration	80,175	67,658	69,674	82,255	85,492	77,833	92,095	81,766	62,004	50,557
Public safety	289,306	288,848	283,125	279,752	307,182	309,087	304,492	301,808	276,757	314,415
Parks, recreation and culture	70,685	69,571	67,252	88,843	96,686	146,621	133,785	74,456	88,030	51,522
Community development	1,020	-	-	-	-	-	-	-	-	81,150
Operating grants and contributions	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	1,518,054
Capital grants and contributions	867,894	93,598	273,383	1,557,173	608,120	907,357	94,065	372,706	193,690	1,622,517
Total governmental activities program revenues	\$ 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	\$ 3,684,687
Business-Type Activities:										
Charges for services	\$ 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	\$ 2,732,048
Water	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	1,519,206
Wastewater	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	634,481	120,276	40,864	71,774	120,168	497,751	624,088	235,777	22,813	13,401
Total business-type activities program revenues	\$ 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	\$ 4,264,655
Total primary government program revenues	\$ 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	\$ 7,949,342
Net (Expense)/Revenue										
Governmental Activities	\$ (1,965,023)	\$ (2,391,959)	\$ (2,372,779)	\$ (1,707,305)	\$ (2,908,912)	\$ (2,369,330)	\$ (3,149,579)	\$ (3,723,424)	\$ (3,174,310)	\$ (2,413,862)
Business-Type Activities:	429,382	(58,487)	51,104	(37,312)	(260,153)	1,144,627	403,130	(227,388)	(277,679)	(152,289)
Total primary government net (expense)/revenue	\$ (1,535,641)	\$ (2,450,446)	\$ (2,321,675)	\$ (1,744,617)	\$ (3,169,065)	\$ (1,224,703)	\$ (2,746,449)	\$ (3,950,812)	\$ (3,451,989)	\$ (2,566,151)

TABLE 2 cont.

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Revenues and other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	\$ 1,021,829	\$ 1,021,829	\$ 1,019,919	\$ 1,055,104	\$ 1,043,502	\$ 1,010,918	\$ 1,065,633	\$ 1,097,295	\$ 1,048,074	\$ 1,114,878
Local sales & use tax	188,713	188,713	206,284	206,772	196,060	201,422	212,558	227,906	232,282	280,084
Utility tax	120,608	120,608	114,522	113,897	114,288	113,187	110,989	101,352	117,805	110,084
Business license tax	224,685	224,685	269,032	275,851	271,497	293,453	241,834	274,037	268,208	319,158
Communication tax	192,354	192,354	185,028	180,480	174,838	162,198	158,499	140,783	136,645	132,679
Motor vehicle license	53,534	53,534	44,045	56,215	55,973	65,634	63,501	64,777	60,385	75,076
Bank stock tax	92,414	92,414	116,969	104,174	106,107	95,600	81,915	71,748	72,812	54,024
Cigarette tax	25,860	25,860	60,810	52,355	48,095	50,888	46,687	43,918	45,333	92,277
Hotel and motel room tax	7,902	7,902	6,293	4,816	4,192	4,789	3,806	4,030	9,927	13,510
Restaurant food tax	531,584	531,584	573,026	668,756	680,782	749,410	735,202	858,021	939,521	1,246,142
Coal road improvement tax	70,663	70,663	30,713	23,660	24,017	38,286	30,561	17,608	24,896	33,791
Unrestricted intergovernmental revenue	60,070	60,070	53,329	113,808	58,602	139,469	72,101	365,653	44,790	112,648
Unrestricted investment earnings	1,696	1,696	2,884	1,765	3,386	5,494	5,370	11,878	2,051	8,304
Rental of Town property	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	160,275	160,275	402,718	220,139	514,453	280,918	200,067	171,570	257,577	359,130
Total governmental activities	\$ 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	\$ 3,951,785
Business-Type Activities:										
Unrestricted investment earnings	\$ 4,101	\$ 4,101	\$ 6,863	\$ 6,583	\$ 9,438	\$ 15,280	\$ 15,970	\$ 12,689	\$ 6,077	\$ 16,851
Other	-	-	-	-	-	-	-	-	-	173,395
Total business-type activities	\$ 4,101	\$ 4,101	\$ 6,863	\$ 6,583	\$ 9,438	\$ 15,280	\$ 15,970	\$ 12,689	\$ 6,077	\$ 190,246
Total primary government	\$ 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	\$ 4,142,031
Change in Net Position										
Governmental Activities	\$ 801,506	\$ 374,570	\$ 748,480	\$ 1,414,051	\$ 449,518	\$ 867,473	\$ (97,264)	\$ (253,277)	\$ 900,936	\$ 1,537,923
Business-Type Activities	433,483	(54,386)	57,967	(30,729)	(250,715)	1,159,907	419,100	(214,699)	(271,602)	37,957
Total primary government	\$ 1,234,989	\$ 320,184	\$ 806,447	\$ 1,383,322	\$ 198,803	\$ 2,027,380	\$ 321,836	\$ (467,976)	\$ 629,334	\$ 1,575,880

(1) 2022 amounts were restated to reflect error corrections.

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

	<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 (1)</u>	<u>2023</u>
General Fund										
Nonspendable	\$ 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	\$ 705,240
Restricted	418,150	435,429	439,545	420,313	396,759	423,465	399,841	380,862	1,423,872	1,092,304
Committed	288,150	147,600	317,740	228,625	340,105	247,231	190,058	87,647	8,570	84,577
Assigned	101,539	366,522	254,901	550,856	662,379	94,212	187,597	219,983	107,115	111,369
Unassigned	354,236	500,743	385,760	253,960	233,359	581,000	795,939	1,133,939	1,127,054	1,568,242
Total general fund	\$ 2,743,466	\$ 3,037,426	\$ 2,942,309	\$ 2,997,645	\$ 3,141,493	\$ 2,743,146	\$ 2,676,602	\$ 2,517,471	\$ 3,361,651	\$ 3,561,732
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	80,547	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 80,547	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(1) 2022 amounts were restated to reflect error corrections.

TABLE 4

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022 (1)	2023
Revenues										
General property taxes	\$ 1,023,133	\$ 991,206	\$ 1,007,379	\$ 1,048,789	\$ 1,040,465	\$ 1,014,278	\$ 1,020,963	\$ 1,086,280	\$ 1,036,768	\$ 1,091,646
Other local taxes	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	2,224,146
Permits and licenses	2,382	3,814	2,910	5,878	3,499	3,335	1,028	1,877	2,443	-
Fines and forfeitures	22,755	30,032	16,341	12,558	33,414	27,417	10,642	9,495	9,214	50,557
Investment earnings	16,038	15,953	24,982	19,452	62,886	31,193	29,311	29,311	20,923	32,426
Charges for services	441,186	426,097	420,051	450,850	489,360	533,541	530,372	458,030	426,791	469,437
Other revenues	38,470	246,530	249,204	43,786	74,123	67,603	28,460	28,175	69,468	370,361
Recovered cost	121,000	146,301	134,263	133,237	395,328	155,712	139,834	128,739	169,059	181,855
Inter-governmental	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	3,355,932
Total revenues	\$ 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	\$ 7,776,360
Expenditures										
General government	\$ 918,390	\$ 898,907	\$ 941,923	\$ 849,769	\$ 892,681	\$ 917,452	\$ 905,550	\$ 1,041,201	\$ 1,301,621	\$ 1,025,274
Public safety	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	1,755,355
Public works	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	1,464,709
Health and welfare	32,417	25,299	33,439	34,168	33,835	34,134	31,123	51,488	31,423	34,933
Parks, recreation and culture	801,096	889,901	1,281,042	1,518,415	1,656,237	1,216,230	881,679	804,139	1,496,802	1,168,606
Community development	408,345	190,337	23,460	-	216,183	911,900	102,616	377,316	219,371	337,479
Capital projects	-	-	-	-	-	-	-	-	-	1,693,455
Debt service	52,596	65,404	87,500	132,072	142,241	125,036	135,677	551,186	82,386	67,953
Principal	15,804	15,573	18,297	22,433	41,496	36,371	25,100	31,660	19,107	17,284
Interest	-	-	-	-	-	-	-	-	-	-
Total expenditures	\$ 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	\$ 7,565,048
Excess of revenues over (under) expenditures	\$ 244,468	\$ 87,134	\$ (536,867)	\$ (625,257)	\$ 129,935	\$ (501,856)	\$ (91,028)	\$ (603,088)	\$ (296,897)	\$ 211,312
Other Financing Sources (Uses)										
Issuance of debt	\$ 12,698	\$ 123,500	\$ 365,700	\$ 630,000	\$ -	\$ 73,100	\$ -	\$ 440,000	\$ -	\$ -
Insurance recoveries	8,349	2,779	62,461	24,680	8,054	26,850	20,103	3,284	7,393	-
Transfers in/(out)	-	-	-	-	-	-	-	-	-	(11,231)
Proceeds from sale of assets	-	-	13,589	25,913	5,859	3,559	4,381	673	800,000	-
Total other financing sources (uses)	\$ 21,047	\$ 126,279	\$ 441,750	\$ 680,593	\$ 13,913	\$ 103,509	\$ 24,484	\$ 443,957	\$ 807,393	\$ (11,231)
Net change in fund balance	\$ 265,515	\$ 213,413	\$ (95,117)	\$ 55,336	\$ 143,848	\$ (398,347)	\$ (66,544)	\$ (159,131)	\$ 510,496	\$ 200,081
Debt service as a percentage of noncapital expenditures	1.31%	1.75%	1.90%	2.25%	3.23%	2.50%	3.22%	9.42%	1.62%	1.45%

(1) 2022 amounts were restated to reflect error corrections.

TABLE 5

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

Fiscal Year 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	Real Estate			
2023	\$ 198,928,520	\$ 40,054,732	\$ -	\$ 11,620,321	\$ 18,235	\$ 668,970	\$ 251,290,778	\$	0.434
2022	187,674,920	30,548,226	32,480	8,283,727	-	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	9,907,758	-	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

TABLE 6

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

Fiscal Year Ended June 30	Public Utilities										Overlapping Rates	
	Personal Property					Real Estate					Wise County	
	Real Estate	Personal Property	Machinery and Tools	Mobile Homes		Real Estate	Real Estate	Personal Property	Personal Property	Personal Property	Real Estate	Personal Property
2023	\$ 0.44	\$ 0.62	\$ 0.62	\$ 0.44	\$ 0.44	\$ 0.44	\$ 0.44	\$ 0.62	\$ 0.62	\$ 0.62	\$ 0.69	\$ 1.79
2022	0.44	0.62	0.62	0.44	0.44	0.44	0.44	0.62	0.62	0.62	0.69	1.65
2021	0.44	0.62	0.62	0.44	0.44	0.44	0.44	0.62	0.62	0.62	0.69	1.65
2020	0.44	0.62	0.62	0.44	0.44	0.44	0.44	0.62	0.62	0.62	0.69	1.65
2019	0.44	0.62	0.62	0.44	0.44	0.44	0.44	0.62	0.62	0.62	0.69	1.65
2018	0.44	0.62	0.62	0.44	0.44	0.44	0.44	0.62	0.62	0.62	0.60	1.56
2017	0.44	0.62	0.62	0.44	0.44	0.44	0.44	0.62	0.62	0.62	0.60	1.56
2016	0.44	0.62	0.62	0.44	0.44	0.44	0.44	0.62	0.62	0.62	0.57	1.49
2015	0.44	0.62	0.62	0.44	0.44	0.44	0.44	0.62	0.62	0.62	0.57	1.49
2014	0.44	0.62	0.62	0.44	0.44	0.44	0.44	0.62	0.62	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, 2023:

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Percent of Real Estate Levy</u>
Heritage Hall Big Stone Gap LLC	Nursing home and elderly care	3,037,300	1.53%
SP Shopping Center LLC	Shopping center	3,021,000	1.52%
Lonesome Pine Hospital Associates INC	Health care	2,965,000	1.49%
Bunch Family Limited Partners	603 Wood Ave E	2,960,000	1.49%
Ballad Health	Former Armory Property	1,623,500	0.82%
Heritage Hall Big Stone Gap LLC	Nursing home and elderly care	1,576,900	0.79%
Cloverleaf Rentals LLC	Commercial offices & retail	1,114,800	0.56%
Powell Valley National Bank	Banking operations	1,086,500	0.55%
BLD Big Stone Gap LLC	Fast food restaurant	988,200	0.50%
Cloverleaf Rentals LLC	Commercial offices & retail	965,400	0.49%

June 30, 2014:

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Percent of Real Estate Levy</u>
One Center Corp	Shopping center	4,353,400	2.45%
Heritage Hall Holding	Nursing home and elderly care	3,054,800	1.72%
Bunch Family Limited Partners	Investment Company	2,834,400	1.60%
Lonesome Pine Hospital	Health care	2,325,000	1.31%
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.

TABLE 8

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

Fiscal Year 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 Levy
2023	\$ 1,145,377	\$ 1,114,244	97.28%	\$ 95,027	\$ 1,209,271	105.58%	\$ 378,134
2022	1,031,034	892,494	86.56%	49,267	941,761	91.34%	383,842
2021	931,050	922,123	99.04%	61,468	983,591	105.64%	331,898
2020	1,006,860	883,426	87.74%	44,972	928,398	92.21%	306,123
2019	1,035,196	863,998	83.46%	53,236	917,234	88.60%	257,163
2018	1,010,919	897,286	88.76%	45,953	943,239	93.31%	261,215
2017	1,002,161	872,903	87.10%	72,818	945,721	94.37%	241,115
2016	1,002,845	929,567	92.69%	51,089	980,656	97.79%	246,154
2015	998,827	906,813	90.79%	52,467	959,280	96.04%	208,470
2014	958,629	877,969	91.59%	50,584	928,553	96.86%	201,271

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions or vehicle licenses.

(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 Year Ended June 30	Governmental Activities	Business-Type Activities					Total Primary Government	Percentage of Personal Income	Debt Per Capita
		General Obligation and Revenue Bonds			Wastewater				
		Notes Payable	Water		Bonds				
			Bonds	Bonds	Bonds	Bonds			
2023	\$ 492,214	\$	8,187,653	\$	3,063,248	\$ 11,743,115	10.90%	\$ 2,308	
2022	560,167		8,633,266		3,324,966	12,518,399	11.62%	2,461	
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	

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 and excludes financed purchases secured by an asset

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

Fiscal Year Ended June 30	General Bonded Debt Outstanding General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2023	\$ 2,599,084	1.03%	\$ 511
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

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

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Assessed valuations										
Assessed value of taxed real property	\$ 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	\$ 198,928,520
Legal debt margin										
Debt limit - 10 percent of total assessed value	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	19,892,852
Debt applicable to limitation:										
Total bonded debt	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	11,743,115
Less - water and wastewater revenue bonds and notes payable secured by assets	(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)	(9,144,031)
Total amount of debt applicable to debt limitation	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	2,599,084
Legal debt margin	\$ 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	\$ 17,293,768
Total net debt applicable to the limit as a percentage of debt limit	57.11%	54.73%	53.44%	53.44%	27.07%	25.81%	22.70%	20.32%	18.33%	13.07%

TABLE 12

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

Fiscal Year Ended June 30	Water Revenue Bonds							
	Utility Service Charges	Less: Operating Expenses	Net		Debt Service		Coverage	
			Available Revenue	Principal	Interest	Total		
2023	\$ 2,779,009	\$ 1,886,167	\$ 892,842	\$ 438,430	\$ 174,210	\$ 612,640	1.46	
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	

Fiscal Year Ended June 30	Wastewater Revenue Bonds							
	Utility Service Charges	Less: Operating Expenses	Net		Debt Service		Coverage	
			Available Revenue	Principal	Interest	Total		
2023	\$ 1,634,409	\$ 1,296,599	\$ 337,810	\$ 268,901	\$ 50,675	\$ 319,576	1.06	
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	

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

TABLE 13

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

Fiscal Year Ended June 30	Population	Personal Income	Per Capita		Median Age	School Enrollment	Unemployment Rate
			Income	Median Income			
2023	5,087	\$ 107,747,747	\$ 21,181		41.0	1,504	4.30%
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%

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

TABLE 14

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

June 30, 2023		Total Estimated Employment*
<u>Employer</u>	<u>Product or Service</u>	
Wallens Ridge State Prison	Public Agency	471
Mountain Empire Community College	Public Agency	309
Wise County Public Schools	Public Agency	301
Lonesome Pine Regional Hospital	Health Care	188
Heritage Hall	Assisted Living	155
June 30, 2014		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
Riggs Oil Company	Fuel Distributor/Retail Sales	100-249

1) Source: Virginia Employment Commission

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

Function	<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>	<u>2023</u>
General government										
Management services										
Finance	1	1	1	1	1	1	1	1	1	1
Planning	3	3.5	4.5	5	4	4	4	4	2	4
Building	0	0	0	0	0	0	0	0	0.5	0.5
Other	1	1	1	1	1	1	1	1	0	0
Other	4	3.5	3.5	3	3	3	3	3	3	3
Public safety										
Officers	15	15	13	15	13	13	14	12	10	13
Civilians	3	3	2	2	3	3	3	3	2	2
Public works										
Refuse collection	4	4	4	5	4	4	4	4	4	4
Streets	6	6	5	4	6	6	6	6	6	6
other	9.5	11	14	29	11	7.5	7.5	10.5	8	8
Parks and recreation										
Parks	5.5	5	6	6.5	5	5.5	6	7	10.5	9
Other	5	3.5	3.5	3	3	3	0	0	0	0
Visitors' Center										
Tourism	0	0	0	1	1	1	0	0	1	1
Other	0	0	0	1	1	2	2	2	3	3
Water operations	12.5	9	8.5	8	7	7	7	8.5	9	9
Wastewater operations	3.5	3.5	5	5.5	5.5	5.5	5.5	3.5	6	6

1) Source: Town's finance department

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

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public safety										
Citations written	1,188	1,161	891	754	772	859	575	430	485	493
Water operations										
Number of service connections	3,883	3,844	3,858	3,792	3,798	3,798	3,810	3,818	3,765	3,765
Average daily consumption in gallons	760,107	653,728	622,292	1,774,216	683,871	4,074,404	633,605	634,915	-	718,515
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	2,601	2,585	2,576	2,695	2,669	2,729	2,736	2,751	2,705	2,705
Average daily treatment in gallons	1,474,000	1,932,600	1,926,583	2,284,333	1,761,750	2,303,917	2,247,000	1,648,317	-	1,668,995
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

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

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public safety										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	11	11	13	13	15	15	14	14	14	14
Public works										
Streets (miles)	68.36	68	68	68	68	68	68	68	68	68
Streetlights	571	571	571	575	575	575	575	575	575	575
Traffic signals	7	7	7	7	7	7	7	7	7	7
Water operations										
Miles of water main	47.39	85	85	85	85	85	85	85	85	85
Number of fire hydrants	361	361	361	361	361	361	361	361	361	361
Wastewater operations										
Miles of sanitary sewers	34	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	7	7	7	7	7	7	7	7	7	7

COMPLIANCE SECTION



**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***

**To the Members of the Town Council
Town of Big Stone Gap, Virginia
Big Stone Gap, Virginia**

We have audited, in accordance with the 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 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, and each major fund of the Town of Big Stone Gap, Virginia as of and for the year ended June 30, 2023, 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 June 11, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Big Stone Gap, Virginia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Big Stone Gap, Virginia, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Big Stone Gap, Virginia'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 a 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 internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002, and 2023-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Big Stone Gap, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questions and costs as 2023-004 and 2023-005.

Town of Big Stone Gap, Virginia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Town of Big Stone Gap, Virginia's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town of Big Stone Gap, Virginia's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 performed 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.



Blacksburg, Virginia
June 11, 2026



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

**To the Members of the Town Council
Town of Big Stone Gap, Virginia
Big Stone Gap, Virginia**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Town of Big Stone Gap, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Town of Big Stone Gap, Virginia's major federal programs for the year ended June 30, 2023. Town of Big Stone Gap, Virginia'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, Town of Big Stone Gap, Virginia 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, 2023.

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). 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 Town of Big Stone Gap, Virginia 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 Town of Big Stone Gap, Virginia'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 Town of Big Stone Gap, Virginia'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 Town of Big Stone Gap, Virginia'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 Town of Big Stone Gap, Virginia'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 Town of Big Stone Gap, Virginia'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 Town of Big Stone Gap, Virginia'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 Town of Big Stone Gap, Virginia'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 Auditors' 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.

Report on Internal Control over Compliance (Continued)

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.

A handwritten signature in black ink that reads "Robinson, Famer, Cox Associates". The script is cursive and fluid.

Blacksburg, Virginia
June 11, 2026

Town of Big Stone Gap, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Pass Through Payments:			
Virginia Department of Motor Vehicles:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	BSC-2023-53383-23383, 2022- 52440-22440	\$ 9,105
Virginia Department of Conservation and Recreation:			
FWHA - Recreational Trails Program	20.219	DCR45201	62,607
Virginia Department of Transportation:			
Highway Planning and Construction	20.205	113427	573,600
Total U.S. Department of Transportation			\$ 645,312
Department of Health and Human Services:			
Pass Through Payments:			
Virginia Department of Health:			
Preventive Health and Health Services (PHHS) Block Grant Program	93.991	709B1220081 SEPT22 FLOURDATION	\$ 13,401
U.S. Office of National Drug Control Policy:			
Pass Through Payments:			
Appalachian HIDTA:			
High Intensity Drug Trafficking Areas Programs	95.001	G23AP0001A	\$ 4,933
Department of Justice:			
Pass Through Payments:			
Virginia Department of Criminal Justice Services:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2018JBX0728, 2020MUBX0035	\$ 1,405
Department of the Treasury:			
Direct payments:			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Not applicable	\$ 1,129,777
Total Federal Expenditures			\$ 1,794,828

Notes to Schedule of Expenditures of Federal Awards

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Big Stone Gap, Virginia, under programs of the federal government for the year ended June 30, 2023. 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 operations of the Town of Big Stone Gap, Virginia, 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, Virginia.

Note 2 -- Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.
- (3) The Town did not elect to use the 10 percent de minimis indirect cost rate because they only request direct costs for reimbursement.
- (4) The Town did not have any loans or loan guarantees which are subject to reporting requirements for the year.

Note 3 -- Subrecipients

The Town did not have any subrecipients during the fiscal year.

Note 4 -- Relationship to the Financial Statements:

Federal expenditures, revenues and capital contributions are reported in the Town's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund \$ 651,650

ARPA Fund 1,129,777

Water Fund 13,401

Total expenditures of federal awards per basic financial statements \$ 1,794,828

Town of Big Stone Gap, Virginia
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major programs:

<u>Assistance Listing #</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds (ARPA)

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

Town of Big Stone Gap, Virginia
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section II - Financial Statement Findings

2023-001	Material Weakness
Criteria:	An auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards. Furthermore, reliance on the auditor to propose adjustments necessary to comply with reporting standards is not a component of such controls.
Condition:	The financial statements as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.
Cause:	The Town does not have proper controls in place to detect and correct adjustments in closing their year end financial statements.
Effect:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the Town's internal controls over financial reporting.
Recommendation:	The Town should review the auditors' proposed audit adjustments for the fiscal year and develop a plan to ensure the trial balances and related schedules are accurately presented for audit going forward.
View of Responsible Officials and Corrective Action:	Management will review the auditors' proposed audit adjustments for the fiscal year and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.
2023-002	Material Weakness
Criteria:	The audited financial statements are required to be on file with the Auditor of Public Accounts of the Commonwealth of Virginia by December 15th of each year.
Condition:	The audited financial statements were not filed by December 15, 2023.

Town of Big Stone Gap, Virginia
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section II - Financial Statement Findings - Continued

2023-002	Material Weakness (continued)
Cause:	The adjusted trial balances for audit were provided to the auditors on February 9, 2026.
Effect:	The audited financial statements were not issued in compliance with the Code of Virginia time requirements. As a result, the financial information was not included in the annual Comparative Cost Report issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Finally, the audited financial statements as provided to the Town will not provide timely information to make proper decisions.
Recommendation:	We recommend the Town ensure financial information is maintained in an accurate and efficient manner to expedite the financial preparation process for audit.
View of Responsible Officials and Corrective Action:	Management will continue to work to improve its financial closing process in order to improve timeliness going forward.
2023-003	Material Weakness
Criteria:	A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.
Condition:	The Town does not have a proper segregation of duties over the payroll, accounts payable, and billing and collection functions.
Cause:	The Town lacks the funding to fully support a completely segregated finance department.
Effect:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected by the entity's internal controls over financial reporting.
Recommendation:	Management should further try to segregate duties amongst current staff to help alleviate the risk created by improper segregation of duties.
View of Responsible Officials and Corrective Action:	Management acknowledges that internal controls over the billing and collection function as well as the accounts payable and payroll functions lack proper segregation of duties; however, to alleviate this condition would require additional staff.

Town of Big Stone Gap, Virginia
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section II - Financial Statement Findings - Continued

2023-004	Material Noncompliance
Criteria:	The Town receives grant funding from the Virginia Department of Transportation known as Urban Highway Maintenance (UHM) Funds. The Town is required to complete annual reporting on the balance, receipt, and disbursement of these funds.
Condition:	The expenditures claimed in the 2022 Urban Highway Maintenance (UHM) Annual Report appear to be overstated.
Cause:	The Town software system for tracking UHM expenditures duplicated materials costs as personnel costs, leading personnel costs to be materially misstated.
Context:	The Town reported expenditures of \$1,225,615 which appears to be overstated by \$555,308.
Effect:	The Town may not be in compliance with State requirements.
Recommendation:	We recommend the Town annually reconcile the UHM report and implement a proper review of the report to ensure it agrees to the Town's general ledger and cost accounting system, and maintain records to document these procedures for audit.
View of Responsible Officials and Corrective Action:	Management has researched the issue within their software and noted that for future submissions, the issue has been corrected.

Town of Big Stone Gap, Virginia
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section II - Financial Statement Findings - Continued

2023-005	Material Noncompliance
Criteria:	The Code of Virginia requires all expenditures to have a sufficient appropriation.
Condition:	The Town General Fund and ARPA Fund had expenditures in excess of appropriations.
Cause:	The Town did not appropriate funds related to federal grants and other capital projects.
Effect:	The Town may not be in compliance with the <u>Code of Virginia</u> § 15.2-2506.
Recommendation:	The Town should adopt a budget and appropriate the relevant expenditures in a systematic manner as required by the <u>Code of Virginia</u> . Management and Council should work together to periodically review available appropriations and consider the need for additional appropriations as the fiscal year progresses. Further, management should ensure the appropriated budget is posted to the accounting system.
View of Responsible Officials and Corrective Action:	Management concurs with the finding and plans to implement a process to ensure all expenditures are properly appropriated.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

**Town of Big Stone Gap, Virginia
Schedule of Prior Audit Findings
Year Ended June 30, 2023**

There were no prior audit findings.