TOWN OF BIG STONE GAP, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2011

June 30, 2011

TOWN COUNCIL:

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

TOWN OFFICERS:

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

TOWN LEGAL COUNSEL:

Charles Bledsoe, Attorney at Law

November 28, 2011

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, 2011.

Financial Highlights

- The assets of the Town exceeded its liabilities at the end of the fiscal year by $ 20,331,957 (net assets). Of this amount, $ 18,398,298 can be used to meet the Town's ongoing obligations.

- At June 30, 2011, the Town reported combined ending fund balances of $ 2,273,120, an increase of $ 415,392 in comparison with the prior year. Approximately 57 % of this total amount is available for spending at the Town Council's discretion. (unassigned fund balance).

- As of June 30, 2011, the General Fund had a total Fund Balance of $ 2,196,958.

- The Town of Big Stone Gap's total debt decreased by $ 735,036 during the fiscal year. The total debt outstanding as of June 30, 2011 was $ 18,368,343.

- As of June 30, 2011, the Town's Legal Debt Margin was $ 17,483,487.

- The Water/Sewer Proprietary Fund had an increase in Net Assets for the year of $ 1,565,807.

Overview of Financial Statements

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

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

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

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

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

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

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

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

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

Government – Wide Financial Analysis

Summary of Statement of Net Assets – June 30, 2011

	Governmental Activities	Business Type Activities	Total
Current & other assets	$ 2,887,675	$ 2,363,122	$ 5,250,797
Capital assets	$ 4,373,045	$ 29,526,170	$ 33,899,215
Other noncurrent assets	$ -	$ 860,000	$ 860,000
Total Assets	**$ 7,260,720**	**$ 32,749,292**	**$ 40,010,012**
Current & other liabilities	$ 671,180	$ 1,351,796	$ 2,022,976
Long-term liabilities	$ 133,101	$ 17,521,978	$ 17,655,079
Total Liabilities	**$ 804,281**	**$ 18,873,774**	**$ 19,678,055**
Net Assets:			
Invested in Capital assets			
(Net of related debt)	$ 4,314,741	$ 12,017,827	$ 16,332,568
Restricted	$ 200,446	$ -	$ 200,446
Unrestricted	$ 1,941,252	$ 1,857,691	$ 3,798,943
Total Net Assets	**$ 6,456,439**	**$ 13,875,518**	**$ 20,331,957**

Net assets serve as a useful indicator of a government's financial position. The Town's combined net assets total $ 20,331,957. 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 $ 16,332,568. The Town of Big Stone Gap uses these capital assets to provide services to citizens; and thus these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities. Net assets include $ 486 non-spendable, $ 200,446 restricted, $ 853,000 committed, $ 219,516 assigned, and $ 2,725,941 is unassigned and may be used to meet the Town's ongoing obligations to citizens and creditors.

Governmental Activities – Governmental activities increased the Town's net assets by $ 550,605. Key elements of this increase are as follows:

	Governmental Activities Year Ended June 30, 2011
Revenues:	
Program Revenues:	
Charges for Services	$ 394,574
Operating Grants and Contributions	$ 1,345,211
Capital Grants and Contributions	$ 5,000
General Revenues:	
Property Taxes	$ 996,365
Other Local Taxes	$ 1,781,841
Unrestricted Intergovernmental Revenue	$ 31,672
Unrestricted Investment Earnings	$ 5,988
Other	$ 198,561
Total Revenues	**$ 4,759,212**

Expenses:	
General Government	$ 752,749
Public Safety	$ 1,711,243
Public Works	$ 1,087,526
Health and Welfare	$ 27,892
Parks, Recreation, Culture	$ 492,531
Community Development	$ 133,659
Interest on Long Term Debt	$ 2,907
Non-departmental	$ 100
Total Expenses	**$ 4,208,607**
Increase (Decrease) in Net Assets	**$ 550,605**

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

Fund Financial Statements

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

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

	2011	2010
General Property Taxes	$ 985,417	$ 992,148
Other Local Taxes	$ 1,781,841	$ 1,832,613
Permits, Privilege Fees and Regulatory Licenses	$ 4,672	$ 3,184
Fines and Forfeitures	$ 35,080	$ 32,447
Revenue From Use of Money and Property	$ 14,228	$ 16,401
Charges for Services	$ 394,574	$ 441,755
Miscellaneous	$ 15,289	$ 147,254
Recovered Costs	$ 128,075	$ 126,919
Inter-Governmental	$ 1,381,883	$ 1,215,041

The Town's assessed value of real estate for the year was $ 174,834,870. The real estate tax rate is $ .44 per $ 100 of assessed value. For the year, the percent of levy collected was 86.75%

The Town's business type activity is the Water/Sewer Proprietary Fund. During the year this fund had net income (change in net assets) of $ 1,565,807. Cash and cash equivalents decreased by $ 10,410 to $ 1,982,023.

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

	Final Budget	Actual	Variance *Favorable (Unfav.)*
Total Revenues	$ 6,884,083	$ 4,750,147	$(2,133,936)
Total Expenses	$ 6,884,083	$ 4,334,755	$ 2,549,328
Excess of Revenues Over Expenses	$ -0-	$ 415,392	

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

THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants & Consultants

**M. BARDIN THROWER, JR., C.P.A.
**BRIAN K. BLANTON, C.P.A.
*CHARLES F. LAWSON, C.P.A.
*JARED A. OWENS, C.P.A.
*MATTHEW R. CRADIC, C.P.A.

*Members of American Institute of Certified Public Accountants
** Virginia & Tennessee Society of Certified Public Accountants

Founded 1948

MONROE B. THROWER, C.P.A.
(1918 – 2000)

P.O. Box 1266
612 Trent Street, NE
Norton, Virginia 24273
Phone: (276) 679-2780
Fax: (276) 679-7445

REPORT OF INDEPENDENT AUDITORS

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

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, 2011, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audit of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Big Stone Gap, Virginia as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2011 on our consideration of the Town of Big Stone Gap's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 7 and the other required supplementary information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The information listed as other supplementary information and compliance section information in the accompanying table of contents, including the Schedule of Expenditures of Federal Awards as required by U. S. Office of Management and Budget Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The information included in the introductory and statistical sections listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Thrower, Blanton & Associates, P.C.

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

November 28, 2011

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

**M. BARDIN THROWER, JR., C.P.A.
**BRIAN K. BLANTON, C.P.A.
*CHARLES F. LAWSON, C.P.A.
*JARED A. OWENS, C.P.A.
*MATTHEW R. CRADIC, C.P.A.

Founded 1948

MONROE B. THROWER, C.P.A.
(1918 – 2000)

*Members of American Institute of Certified Public Accountants
**Virginia & Tennessee Society of Certified Public Accountants

P.O. Box 1266
612 Trent Street, NE
Norton, Virginia 24273
Phone: (276) 679-2780
Fax: (276) 679-7445

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Big Stone Gap, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the Town of Big Stone Gap, Virginia's basic financial statements and have issued our report thereon dated November 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audit of Counties, Cities, and Towns,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting
In planning and performing our audit for the year ended June 30, 2011, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Town's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Town of Big Stone Gap, Virginia's financial statements are free of 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 determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town of Big Stone Gap, Virginia, in a separate letter dated November 28, 2011.

This report is intended solely for the information and use of Town Council, management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Thrower, Blanton & Associates P.C.
THROWER, BLANTON & ASSOCIATES, P.C.
Certified Public Accountants
November 28, 2011

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

**M. BARDIN THROWER, JR., C.P.A.
**BRIAN K. BLANTON, C.P.A.
*CHARLES F. LAWSON, C.P.A.
*JARED A. OWENS, C.P.A.
*MATTHEW R. CRADIC, C.P.A.

Founded 1948

MONROE B. THROWER, C.P.A.
(1918 – 2000)

*Members of American Institute of Certified Public Accountants
**Virginia & Tennessee Society of Certified Public Accountants

P.O. Box 1266
612 Trent Street, NE
Norton, Virginia 24273
Phone: (276) 679-2780
Fax: (276) 679-7445

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Town of Big Stone Gap, Virginia, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Town's major federal programs are identified in the summary of Federal Awards section of the accompanying supplemental schedules. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

The management of the Town of Big Stone Gap is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

This report is intended solely for the information and use of management, others within the Organization, Town Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Thrower, Blanton & Associates, P.C.

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

November 28, 2011

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

**M. BARDIN THROWER, JR., C.P.A.
**BRIAN K. BLANTON, C.P.A.
*CHARLES F. LAWSON, C.P.A.
*JARED A. OWENS, C.P.A.
*MATTHEW R. CRADIC, C.P.A.

*Members of American Institute of Certified Public Accountants
** Virginia & Tennessee Society of Certified Public Accountants

Founded 1948

MONROE B. THROWER, C.P.A.
(1918 – 2000)

P.O. Box 1266
612 Trent Street, NE
Norton, Virginia 24273
Phone: (276) 679-2780
Fax: (276) 679-7445

REPORT ON COMPLIANCE WITH COMMONWEALTH OF VIRGINIA LAWS, REGULATIONS, CONTRACTS, AND GRANTS

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

We have audited the financial statements of the Town of Big Stone Gap, Virginia, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 28, 2011.

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

Compliance with Commonwealth of Virginia laws, regulations, contracts, and grants applicable to the Town of Big Stone Gap, Virginia, is the responsibility of the Town's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Town of Big Stone Gap's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

Code of Virginia

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

State Agency Requirements

- Highway Maintenance Funds

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Town of Big Stone Gap, Virginia, had not complied, in all material respects, with those provisions.

This report is intended solely for the information and use of the Town Council, management, the Auditor of Public Accounts, and applicable state agencies, and is intended to be, and should not be, used by anyone other than these specified parties.

Thrower, Blanton & Associates, P.C.

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

November 28, 2011

TOWN OF BIG STONE GAP, VIRGINIA

EXHIBIT 1

STATEMENT OF NET ASSETS

June 30, 2011

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 2,118,493	$ 447,774	$ 2,566,267
Receivables:			
Taxes	127,518	-	127,518
Accounts	38,483	353,660	392,143
Other	56,700	-	56,700
Prepaid expenses	486	324	810
Deferred bond expense	-	27,115	27,115
Due from other governmental units	146,585	-	146,585
Internal Balances	-	-	-
Restricted Assets:			
Cash	399,410	1,534,249	1,933,659
Capital assets, depreciable, net	1,608,825	29,526,170	31,134,995
Capital assets, non-depreciable	2,764,220	860,000	3,624,220
TOTAL ASSETS	$ 7,260,720	$ 32,749,292	$ 40,010,012
LIABILITIES			
Accounts payable	$ 169,003	$ 159,776	$ 328,779
Accrued liabilities and wages	113,635	62,208	175,843
Payable From Restricted Assets:			
Deposits	-	105,700	105,700
Drug task force reserve	215,378	-	215,378
Deferred revenue	-	-	-
Matured revenue interest	-	12,967	12,967
OPEB liability	71,135	31,898	103,033
Long-term liabilities			
Due within one year	28,360	926,095	954,455
Due in more than one year	29,944	17,442,248	17,472,192
Compensated absences			
Due within one year	73,669	53,152	126,821
Due in more than one year	103,157	79,730	182,887
Total Liabilities	804,281	18,873,774	19,678,055
NET ASSETS			
Invested in capital assets, net of related debt	4,314,741	12,017,827	16,332,568
Restricted	200,446	-	200,446
Unrestricted	1,941,252	1,857,691	3,798,943
Total Net Assets	$ 6,456,439	$ 13,875,518	$ 20,331,957

TOWN OF BIG STONE GAP, VIRGINIA

STATEMENT OF ACTIVITIES

June 30, 2011

EXHIBIT 2

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
					Primary Government		
FUNCTIONS/PROGRAMS:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	$ 752,749	$ -	$ -	$ -	$ (752,749)	$ -	$ (752,749)
Public safety	1,711,243	26,966	689,503	-	(994,774)	-	(994,774)
Public works	1,087,526	299,072	650,708	-	(137,746)	-	(137,746)
Health and welfare	27,892	-	-	-	(27,892)	-	(27,892)
Parks, recreation, and cultural	492,531	68,536	5,000	-	(418,995)	-	(418,995)
Community development	133,659	-	-	5,000	(128,659)	-	(128,659)
Interest on long-term debt	2,907	-	-	-	(2,907)	-	(2,907)
Non-departmental	100	-	-	-	(100)	-	(100)
Total Governmental Activities	4,208,607	394,574	1,345,211	5,000	(2,463,822)	-	(2,463,822)
Business-Type Activities:							
Water	2,599,843	2,578,259	-	485,049	-	463,465	463,465
Wastewater	1,561,332	1,485,525	-	1,159,993	-	1,084,186	1,084,186
Total Business-Type Activities	4,161,175	4,063,784	-	1,645,042	-	1,547,651	1,547,651
TOTAL PRIMARY GOVERNMENT	$ 8,369,782	$ 4,458,358	$ 1,345,211	$ 1,650,042	$ (2,463,822)	$ 1,547,651	$ (916,171)

	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Property taxes	996,365	-	996,365
Local sales & use tax	278,650	-	278,650
Utility tax	121,666	-	121,666
Business license tax	257,689	-	257,689
Communication taxes	202,260	-	202,260
Motor vehicle license	59,702	-	59,702
Bank stock tax	102,233	-	102,233
Cigarette tax	34,500	-	34,500
Hotel and motel room tax	11,500	-	11,500
Restaurant food tax	515,271	-	515,271
Coal road improvement tax	198,370	-	198,370
Unrestricted intergovernmental revenue	31,672	-	31,672
Unrestricted investment earnings	5,988	18,156	24,144
Rental of Town property	8,240	-	8,240
Gain on sale of capital assets	-	-	-
Recovered Costs	128,075	-	128,075
Other	62,246	-	62,246
Total general revenues and transfers	3,014,427	18,156	3,032,583
Change in net assets	550,605	1,565,807	2,116,412
NET ASSETS - JULY 1	5,905,834	12,309,711	18,215,545
NET ASSETS - JUNE 30	$ 6,456,439	$ 13,875,518	$ 20,331,957

TOWN OF BIG STONE GAP, VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General Fund	Special Revenue Fund	Total
ASSETS			
Cash and cash equivalents	$ 2,042,462	$ 76,031	$ 2,118,493
Receivables:			
Taxes	127,518	-	127,518
Accounts	26,620	131	26,751
Other	56,700	-	56,700
Prepaid expenses	486	-	486
Due from other governmental units	146,585	-	146,585
Restricted Assets:			
Cash	399,410	-	399,410
Total Assets	$ 2,799,781	$ 76,162	$ 2,875,943
LIABILITIES			
Accounts payable	$ 169,003	$ -	$ 169,003
Accrued payroll and related liabilities	113,635	-	113,635
Payable From Restricted Assets:			
Drug task force reserve	215,378	-	215,378
Due to other funds	-	-	-
Deferred revenue	104,807	-	104,807
Total Liabilities	602,823	-	602,823
FUND BALANCES:			
Nonspendable	486	-	486
Restricted	124,284	76,162	200,446
Committed	853,000	-	853,000
Assigned	219,516	-	219,516
Unassigned	999,672	-	999,672
Total Fund Balances	2,196,958	76,162	2,273,120
Total Liabilities and Fund Balances	$ 2,799,781	$ 76,162	$ 2,875,943

Total Fund Balances	$ 2,273,120
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	4,373,045
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	116,539
Other liabilities are not required to be paid out of current financial resources and, therefore, are not reported in the governmental funds.	(247,961)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(58,304)
Net Assets of Governmental Activities	$ 6,456,439

TOWN OF BIG STONE GAP, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
Year Ended June 30, 2011

EXHIBIT 4

	GOVERNMENTAL FUNDS		TOTAL
	General	**Special Revenue**	**June 30, 2010**
REVENUES:			
General property taxes	$ 985,417	$ -	$ 985,417
Other local taxes	1,781,841	-	1,781,841
Permits, privilege fees and regulatory licenses	4,672	-	4,672
Fines and forfeitures	35,080	-	35,080
Revenue from use of money and property	14,115	113	14,228
Charges for services	392,850	1,724	394,574
Miscellaneous	15,289	-	15,289
Recovered costs	128,075	-	128,075
Intergovernmental	1,381,883	-	1,381,883
Total Revenues	4,739,222	1,837	4,741,059
EXPENDITURES:			
Current:			
General government administration	832,597	-	832,597
Public safety	1,741,189	-	1,741,189
Public works	1,038,581	-	1,038,581
Health and welfare	27,892	-	27,892
Parks, recreation and cultural	530,460	-	530,460
Community development	133,659	-	133,659
Non-departmental	100	-	100
Debt Service:			
Principle retirement	27,370	-	27,370
Interest	2,907	-	2,907
Total Expenditures	4,334,755	-	4,334,755
Excess (Deficiency) of Revenues Over Expenditures	404,467	1,837	406,304
OTHER FINANCING SOURCES (USES):			
Sale of property	-	-	-
Insurance recoveries	9,088	-	9,088
Transfers in (out)	-	-	-
Total Other Financing Sources (Uses)	9,088	-	9,088
Net Change in Fund Balance	413,555	1,837	415,392
FUND BALANCE AT JULY 1	1,783,403	74,325	1,857,728
FUND BALANCE AT JUNE 30	$ 2,196,958	$ 76,162	$ 2,273,120

TOWN OF BIG STONE GAP, VIRGINIA
RECONCILIATION OF THE REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

		General Fund
Net Change in Fund Balance Governmental Fund:	$	415,392
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		107,783
Governmental funds report the sale of fixed assets as equal to the proceeds received from the sale. The amount required to adjust for the basis remaining on the date of sale.		-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		9,065
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.		27,370
Some expenses reported in the statement of activities, such as compensated absences, other post employement benefits and accrued interest, do not require the use of current financial resources and, therefore, are not required as expenditures in governmental funds.		(9,005)
Change in Net Assets of Governmental Activities	$	550,605

TOWN OF BIG STONE GAP, VIRGINIA
BALANCE SHEET
PROPRIETARY FUNDS
June 30, 2011

	Water Fund 2011	Sewer Fund 2011	TOTAL June 30, 2011
ASSETS			
Cash and cash equivalents	$ (227,105)	$ 674,879	$ 447,774
Receivables (Net of Allowance for Uncollectibles):			
Accounts	228,168	125,492	353,660
Accrued interest	-	-	-
Due from other funds	-	1,581,205	1,581,205
Prepaid expenses	162	162	324
Deferred bond expense	21,692	5,423	27,115
Restricted Assets:			
Cash	1,257,180	277,069	1,534,249
Land	810,000	50,000	860,000
Capital assets, net	16,458,050	13,068,120	29,526,170
TOTAL ASSETS	$18,548,147	$ 15,782,350	$ 34,330,497
LIABILITIES			
Current liabilities:			
Accounts payable	$ 121,180	$ 38,596	$ 159,776
Accrued wages and liabilities	44,158	18,050	62,208
Payable From Restricted Assets:			
Customer deposits	105,700	-	105,700
Due to other funds	1,581,205	-	1,581,205
Accrued interest payable	10,652	2,315	12,967
Bonds and notes payable	324,019	602,076	926,095
Compensated absences	38,823	14,329	53,152
Total Current Liabilities	2,225,737	675,366	2,901,103
Noncurrent liabilities:			
Bonds and notes payable	10,962,772	6,479,476	17,442,248
OPEB liability	22,799	9,099	31,898
Compensated absenses	58,235	21,495	79,730
Total Noncurrent Liabilities	11,043,806	6,510,070	17,553,876
Total Liabilities	13,269,543	7,185,436	20,454,979
NET ASSETS			
Invested in capital assets, net of related debt	5,981,259	6,036,568	12,017,827
Restricted	-	-	-
Unrestricted	(702,655)	2,560,346	1,857,691
Total Net Assets	5,278,604	8,596,914	13,875,518
TOTAL LIABILITIES AND NET ASSETS	$18,548,147	$ 15,782,350	$ 34,330,497

TOWN OF BIG STONE GAP, VIRGINIA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2011

	Water Fund June 30, 2011	Sewer Fund June 30, 2011	TOTAL June 30, 2011
OPERATING REVENUES:			
Water rents	$ 2,558,553	$ -	$ 2,558,553
Sewer rents	-	1,482,610	1,482,610
Sale of labor and materials	11,103	15	11,118
Water and sewer tap fees	6,450	2,900	9,350
Miscellaneous	2,153	-	2,153
Total Operating Revenues	2,578,259	1,485,525	4,063,784
OPERATING EXPENSES:			
Personal services	695,165	353,019	1,048,184
Fringe benefits	274,130	115,556	389,686
Contractual services	86,294	47,063	133,357
Other charges	609,534	380,795	990,329
Depreciation	518,952	580,805	1,099,757
Total Operating Expenses	2,184,075	1,477,238	3,661,313
Operating Income (Loss)	394,184	8,287	402,471
NON-OPERATING REVENUES (EXPENSES) :			
Grant revenue	463,994	1,159,993	1,623,987
Interconnect revenue	21,055	-	21,055
Interest income	12,925	5,231	18,156
Interest expense	(415,768)	(84,094)	(499,862)
Total Non-Operating Revenue (Expenses)	82,206	1,081,130	1,163,336
CHANGE IN NET ASSETS	476,390	1,089,417	1,565,807
NET ASSETS AT JULY 1	4,802,214	7,507,497	12,309,711
NET ASSETS AT JUNE 30	$ 5,278,604	$ 8,596,914	$13,875,518

The accompanying notes are an integral part of the financial statements

TOWN OF BIG STONE GAP, VIRGINIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2011

	Water Fund	Sewer Fund	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 2,533,699	$ 1,465,552	$ 3,999,251
Cash payments to suppliers for goods and services	(985,259)	(714,969)	(1,700,228)
Cash payments to employees for services	(651,949)	(351,146)	(1,003,095)
Other operating income	19,706	2,915	22,621
NET CASH PROVIDED BY OPERATING ACTIVITIES	916,197	402,352	1,318,549
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Increase (decrease) in customer deposits	2,750	-	2,750
(Increase) decrease in due from other funds/governments	-	-	-
Increase (decrease) in due to other funds	-	-	-
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	2,750	-	2,750
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
(Increase) decrease in capital assets	(603,253)	(1,070,909)	(1,674,162)
(Increase) decrease in construction in progress	-	-	-
Principle paid on revenue bond maturities and equipment contracts	(294,930)	(586,575)	(881,505)
Principle advances from bond and note proceeds	146,469	-	146,469
Contributed capital and Grant revenue	485,049	1,159,993	1,645,042
Interest paid on revenue bonds and equipment contracts	(483,805)	(101,904)	(585,709)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(750,470)	(599,395)	(1,349,865)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	12,925	5,231	18,156
NET CASH PROVIDED BY INVESTING ACTIVITIES	12,925	5,231	18,156
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	181,402	(191,812)	(10,410)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	848,673	1,143,760	1,992,433
Cash and Cash Equivalents at June 30, 2011			
Unrestricted	$ (227,105)	$ 674,879	$ 447,774
Restricted	1,257,180	277,069	1,534,249
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,030,075	$ 951,948	$ 1,982,023
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	$ 394,184	$ 8,287	$ 402,471
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	518,952	580,805	1,099,757
Provision for compensated absences	21,335	(5,707)	15,628
Change in Assets and Liabilities:			
(Increase) decrease in accounts receivable	(24,854)	(17,058)	(41,912)
Increase (decrease) in accounts payable	(36,101)	(178,491)	(214,592)
Increase (decrease) in wages payable	21,881	7,580	29,461
Increase (decrease) in OPEB liability	13,009	4,441	17,450
(Increase) decrease in prepaid expenses	7,791	2,495	10,286
TOTAL ADJUSTMENTS	522,013	394,065	916,078
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 916,197	$ 402,352	$ 1,318,549

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

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

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

Reporting Entity

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

Financial Reporting Model

GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (Statement) which established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. Because of the significant changes in financial reporting under the Statement, implementation was phased in (based on the size of the government) beginning with fiscal year ended 2002 (for larger governments). As part of the Statement, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, traffic signals, etc.) This requirement permits an optional delay for implementation to the fiscal year ending in 2008. The Town implemented the basic model in fiscal year 2005 and completed the implementation of the infrastructure-related portion of the Statement in fiscal year 2008.

Government-wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Property taxes, franchise taxes, license, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

> The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> The *special revenue fund* accounts for the operations of the Community Development Fund.

The Town reports the following major proprietary funds:

> The *water operation fund* provides drinking water and maintains the facilities necessary to provide this service. Its primary revenue source is user charges and fees.
>
> The *sewer operation fund* provides maintenance to the sewer lines and pump stations and derives the majority of its revenue through user charges and fees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Special Revenue Funds

Special revenue funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

The special revenue fund consists of the Community Development Fund.

Budgeting and Budgetary Accounting

Budgets are employed by the primary government as a financial control device from the General, Special Revenue, and Proprietary Funds. An annual appropriated budget is legally adopted for the General Fund through ordinances passed by Town Council.

Annual budgets prepared by management are utilized for the Special Revenue and the Proprietary Funds. Therefore, the Special Revenue and Proprietary Funds are not included in the budget and actual comparisons.

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

Encumbrances and Commitments

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

Investments

No investments existed as of June 30, 2011. Certificates of Deposit with maturities of three months or greater are recorded on Exhibit 1 under the title Cash and cash equivalents and treated as cash equivalents.

Property, Plant, and Equipment

All property, plant, and equipment are valued at cost or estimated cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized.

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

Depreciation for fixed assets has been provided over the following estimated useful lives using the Straight-Line Method:

	All Funds
Water/Sewer System	25
Buildings	40
Improvements other than buildings	25
Infrastructure	30-50
Equipment	3-20

Cash Equivalents

For purposes of the statement of cash flows, the Water and Sewer Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Fund Equity

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town has classified Prepaid Items as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. These amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council or through the Town Council delegating this responsibility to the Town manager through the budgetary process.

- Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification amounts are available for any purpose. Positive Unassigned amounts are reported in the General Fund only. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

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

2. *ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS*

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $142,877 at June 30, 2011, and is composed of the following:

General Fund:	
Allowance for uncollectible property taxes	$ 65,074
Allowance for uncollectible garbage fees	8,129
Total General Fund	$ 73,203
Water and Sewer Fund:	
Allowance for uncollectible water and sewer fee billings	$ 69,674
Total Water and Sewer Fund	$ 69,674

3. *DEPOSITS AND INVESTMENTS*

Deposits

All cash of the Town and its component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 *et seq.* of the *Code of Virginia*, or covered by federal depository insurance.

Investments

Investment Policy:

In accordance with the Code of Virginia and other applicable laws, including regulations, the Town permits investments in U. S. Treasury Securities, U. S. Agency Securities, prime quality commercial paper, non-negotiable certificates of deposit and time deposits of Virginia banks, negotiable certificates of deposit of domestic banks, banker's acceptances with domestic banks, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements collateralized by the U. S. Treasury/Agency Securities, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Pool (the Virginia LGIP, a 2a-7 like pool).

Concentration of Credit Risk:

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

Powell Valley National Bank	47%
Wachovia Bank	34%
Branch Bank and Trust	7%
New Peoples Bank	12%

3. *DEPOSITS AND INVESTMENTS (Continued)*

Custodial Credit Risk:

As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. As of June 30, 2011, all of the Town's investments are held in a bank's trust department in the Town's name.

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

Deposits and investments:

Cash on hand	$ 900
Deposits	2,189,729
Investments	2,309,297
	$4,499,926

Statement of net assets:

Cash and cash equivalents	$1,297,141
Investments	1,269,126
Restricted cash and cash equivalents	1,933,659
	$4,499,926

Restricted cash and cash equivalents consist primarily of certificates of deposit.

4. *PROPERTY TAXES RECEIVABLE*

Property is assessed at its value on January 1st. Property taxes attach as an enforceable lien on property as of January 1st. Taxes are payable on December 5th. The Town of Big Stone Gap bills and collects its own property taxes.

5. *DUE FROM OTHER GOVERNMENTAL UNITS*

Commonwealth of Virginia:		
Local sales tax	$ 67,727	
Fire program funds	1,945	
Communication tax	16,648	
Total Commonwealth of Virginia		$ 86,320
Wise County:		
Coal haul road taxes	$ 56,786	
Court fines/transfer fees	3,479	
Total Wise County		60,265
Total Due From Other Governmental Units		$146,585

6. *INTERFUND OBLIGATIONS*

	Due From	Due To
General Fund:		
Water Fund	$ -0-	-0-
Sewer Fund	-0-	-0-
Special Revenue Fund	-0-	-0-
Water Fund:		
General Fund	-0-	-0-
Sewer Fund	-0-	1,581,205
Sewer Fund:		
Water Fund	1,581,205	-0-
General Fund	-0-	-0-
Special Revenue Fund:		
General Fund	-0-	-0-
Totals	$1,581,205	$1,581,205

7. *CAPITAL ASSETS*

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

Governmental activities:	
General government	$ 56,472
Public safety	110,458
Public works	43,853
Parks, recreation and cultural	3,558
Total depreciation expense – governmental activities	$ 214,341
Business-type activities:	
Water and sewer	$ 1,099,757
Total depreciation expense – business-type activity	$ 1,099,757

8. *CHANGES IN CAPITAL ASSETS*

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, depreciable				
Buildings and improvements	$2,250,799	$ 5,198	$ -	$2,255,997
Infrastructure	3,931,892	7,371	-	3,939,263
Equipment	2,417,079	135,931	(2,306)	2,550,704
Total Capital Assets, depreciable	8,599,770	148,500	(2,306)	8,745,964
Less accumulated depreciation for				
Buildings and improvements	$1,306,514	$ 52,797	$ -	$1,359,311
Infrastructure	3,705,840	8,132	-	3,713,972
Equipment	1,912,750	153,412	(2,306)	2,063,856
Total accumulated depreciation	6,925,104	214,341	(2,306)	7,137,139
Total Capital Assets, depreciable, net	$1,674,666	$ (65,841)	$(-)	$1,608,825

8. ***CHANGES IN CAPITAL ASSETS (Continued)***

Business Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, depreciable				
Buildings	$ 214,200	$ -	$ -	$ 214,200
Improvements	37,039,320	6,850,965	-	43,890,285
Equipment	1,155,491	-	(-)	1,155,491
Total Capital Assets, depreciable	38,409,011	6,850,965	(-)	45,259,976
Less accumulated depreciation for				
Buildings	$ 205,964	$ 568	$ -	$ 206,532
Improvements	13,614,235	1,025,090	-	14,639,325
Equipment	813,850	74,099	(-)	887,949
Total accumulated depreciation	14,634,049	1,099,757	(-)	15,733,806
Total Capital Assets, depreciable, net	$23,774,962	$ 5,751,208	$(-)	$29,526,170

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable				
Land	$2,455,135	$ -	$ -	$2,455,135
Construction in progress	135,461	173,624	(-)	309,085
Total Capital Assets, Non-depreciable	$2,590,596	$ 173,624	$(-)	$2,764,220

Business Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable				
Land	$ 860,000	$ -	$ -	$ 860,000
Constructions in progress	5,176,803	-	(5,176,803)	-
Total Capital Assets, Non-depreciable	$6,036,803	$ -	$ (5,176,803)	$ 860,000

June 30, 2011

9. *LONG-TERM DEBT*

The annual requirements to amortize all debt outstanding as of June 30, 2011, are as follows:

Years Ending	General Obligation Refunding		General Obligation Bond		Water Revenue Bond		General Obligation Bond	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 119,345	$ 50,916	$ 33,177	$ 118,202	$ 38,282	$ -	$ 37,382	$ -
2013	124,059	46,202	34,572	116,808	38,282	-	37,382	-
2014	128,959	41,302	36,025	115,355	38,282	-	37,382	-
2015	134,053	36,208	37,540	113,840	38,282	-	37,382	-
2016	139,348	30,912	39,118	112,262	38,282	-	37,382	-
2017-2021	643,256	67,620	221,684	535,216	191,410	-	186,910	-
2022-2026	-	-	272,367	484,533	191,410	-	186,910	-
2027-2031	-	-	334,637	422,262	191,410	-	186,910	-
2032-2036	-	-	411,145	345,755	168,677	-	89,723	-
2037-2041	-	-	505,141	251,759	-	-	-	-
2042-2046	-	-	620,630	136,270	-	-	-	-
2047-2051	-	-	334,912	16,852	-	-	-	-
Totals	$1,289,020	$273,160	$2,880,948	$2,769,114	$ 934,317	$ -	$ 837,363	$ -

Years Ending	Water Revenue Bond		Water Revenue Bond		Water Note Payable	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 52,228	$ 161,852	$ 19,442	$ 60,838	$ 2,449	$ 247
2013	54,559	159,521	20,310	59,970	2,569	131
2014	56,995	157,085	21,217	59,064	1,331	19
2015	59,539	154,541	22,164	58,116	-	-
2016	62,197	151,883	23,153	57,127	-	-
2017-2021	355,191	715,149	132,221	269,179	-	-
2022-2026	441,866	628,534	164,486	236,914	-	-
2027-2031	549,692	520,708	204,625	196,775	-	-
2032-2036	683,832	386,568	254,559	146,841	-	-
2037-2041	850,704	219,696	316,678	84,722	-	-
2042-2046	555,282	35,387	220,812	14,853	-	-
2047-2051	-	-	-	-	-	-
Totals	$3,722,085	$ 3,290,924	$1,399,667	$1,244,399	$ 6,349	$ 397

Years Ending	Water Revenue Note		Total Water Fund Debt	
June 30,	Principal	Interest	Principal	Interest
2012	$ 21,714	$ 9,843	$ 324,019	$ 401,898
2013	22,768	8,789	334,501	391,421
2014	23,874	7,684	344,065	380,509
2015	25,033	6,525	353,993	369,230
2016	26,248	5,309	365,728	357,493
2017-2021	97,405	8,142	1,828,077	1,595,306
2022-2026	-	-	1,257,039	1,349,981
2027-2031	-	-	1,467,274	1,139,745
2032-2036	-	-	1,607,936	879,164
2037-2041	-	-	1,672,523	556,177
2042-2046	-	-	1,396,724	186,510
2047-2051	-	-	334,912	16,852
Totals	$ 217,042	$ 46,292	$11,286,791	$7,624,286

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

Years Ending June 30,	General Obligation Refunding Principal	General Obligation Refunding Interest	VRA Wastewater Principal	VRA Wastewater Interest	Wastewater Revenue Principal	Wastewater Revenue Interest	Wastewater Note Principal	Wastewater Note Interest	General Obligation Bond Principal	General Obligation Bond Interest
2012	$ 27,198	$ 11,604	$ 314,671	$ -	$ 39,342	$ -	$ 2,449	$ 247	$ 17,266	$ 70,094
2013	28,273	10,530	314,671	-	39,342	-	2,569	131	18,037	69,323
2014	29,390	9,412	157,535	-	39,342	-	1,331	19	18,842	68,518
2015	30,550	8,252	-	-	39,342	-	-	-	19,683	67,677
2016	31,757	7,044	-	-	39,342	-	-	-	20,562	66,798
2017-2021	146,596	15,388	-	-	196,710	-	-	-	117,426	319,374
2022-2026	-	-	-	-	177,042	-	-	-	146,079	290,721
2027-2031	-	-	-	-	-	-	-	-	181,726	255,074
2032-2036	-	-	-	-	-	-	-	-	226,072	210,728
2037-2041	-	-	-	-	-	-	-	-	281,240	155,560
2042-2046	-	-	-	-	-	-	-	-	349,868	86,932
2047-2051	-	-	-	-	-	-	-	-	213,084	12,682
Totals	$293,764	$ 62,230	$ 786,677	$ -	$570,462	$ -	$ 6,349	$ 397	$1,609,885	$1,673,481

Years Ending June 30,	General Obligation Bond Principal	General Obligation Bond Interest	Total Wastewater Fund Debt Principal	Total Wastewater Fund Debt Interest
2012	$ 201,150	$ -	$ 602,076	$ 81,945
2013	201,150	-	604,042	79,984
2014	201,150	-	447,390	77,949
2015	201,150	-	290,725	75,929
2016	201,150	-	292,811	73,842
2017-2021	1,005,750	-	1,466,482	334,762
2022-2026	1,005,750	-	1,328,871	290,721
2027-2031	797,165	-	978,891	255,074
2032-2036	-	-	226,072	210,728
2037-2041	-	-	281,240	155,560
2042-2046	-	-	349,868	86,932
2047-2051	-	-	213,084	12,682
Totals	$3,814,415	$ -	$7,081,552	$1,736,108

Changes in Long-Term Bonds/Loans:

The following is a summary of long-term bonds/loan transactions of the Town of Big Stone Gap for the year ended June 30, 2011:

	INSTALLMENT NOTES			GENERAL OBLIGATION & REVENUE BONDS		
	Governmental Notes	Water Fund Note	Wastwater Fund Note	Water Bond	Wastewater Bond	TOTAL
Bonds/loans payable at July 01, 2010	$ 85,674	$ 8,683	$ 8,683	$11,426,569	$7,659,444	$19,189,053
Issuances	-0-	-0-	-0-	146,469	-	146,469
Retirements	(27,370)	(2,334)	(2,334)	(292,596)	(584,241)	(908,875)
Bonds/loans payable at June 30, 2011	$ 58,304	$ 6,349	$ 6,349	$11,280,442	$7,075,203	$18,426,647

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

Changes in Other Long-Term Debt:

The following is a summary of other long-term debt transactions of the Town of Big Stone Gap for the year ended June 30, 2011:

	Compensated Absences	
	Governmental Fund Types	Propriety Fund Types
Payable at July 01, 2010	$204,767	$117,254
Additions	119,838	69,865
Reductions	(147,779)	(54,237)
Payable at June 30, 2011	$176,826	$132,882

Details of Long-Term Indebtedness

Governmental Fund:

Notes Payable:	
$106,767 governmental fund note payable issued January 7, 2009, to PVNB with interest of 3.25% for the acquisition of a garbage truck. Annual payments of $28,927 commencing January 7, 2010, and continuing annually thereafter for a period of four years.	$ 55,127
$2,596 governmental fund note payable issued October 14, 2008, to IBM Credit LLC with interest of 4.83% for the acquisition of a IBM Computer Equipment. Annual payments of $585 commencing January 1, 2009, and continuing annually thereafter for a period of five years.	1,378
$3,395 governmental fund note payable issued October 14, 2008, to IBM Credit LLC with interest of 4.78% for the acquisition of a IBM Computer Equipment. Annual payments of $765 commencing January 1, 2009, and continuing annually thereafter for a period of five years.	1,799
TOTAL GOVERNMENTAL FUND LONG-TERM DEBT	$ 58,304

Enterprise Fund:

	Water	Wastewater
Notes Payable:		
$10,382 water and sewer note payable issued October 14, 2008, to IBM Credit LLC with interest of 4.83% for the acquisition of a IBM Computer Equipment. Annual payments of $1,171 commencing January 1, 2009, and continuing annually hereafter for a period of five years.	$ 2,751	$ 2,751
$13,582 water and sewer note payable issued October 14, 2008, to IBM Credit LLC with interest of 4.78% for the acquisition of a IBM Computer Equipment. Annual payments of $1,530 for each fund commencing January 1, 2009, and continuing annually thereafter for a period of five years.	3,598	3,598

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

Details of Long-Term Indebtedness
Enterprise Fund:

	Water	Wastewater
General Obligation Bonds:		
$1,585,505 general obligation refunding bond issued September 26, 2008, to Carter Bank and Trust, with interest at 3.95%, interest only payable on December 15, 2008, and thereafter payable on each June 15 and December 15. Commencing on June 15, 2009 and on each June 15 thereafter principal payments shall be made in installments. Final payment of principal and interest is due June 30, 2021.	1,289,020	-0-
$361,332 general obligation refunding bond issued September 26, 2008 to Carter Bank and Trust, with interest at 3.95%, interest only payable on December 15, 2008, and thereafter payable on each June 15 and December 15. Commencing on June 15, 2009 and on each June 15 thereafter principal payments shall be made in installments. Final payment of principal and interest is due June 30, 2021.	-0-	293,764
$1,121,445 general obligation water bond issued September 19, 2008, to Virginia Water Facilities Revolving Fund with no interest. Principal payments of $18,690.75 payable January 1, 2010, and semi-annually thereafter for a period of 30 years.	837,363	-0-
$2,900,000 general obligation and water revenue bond issued November 5, 2008, to Rural Development, with interest at 4.125%. Interest only payable on November 5, 2009, and thereafter payable in installments of combined interest and principal of $12,615 beginning December 5, 2010, and continuing monthly thereafter for a period of 39 years until paid. Each payment is to be applied first to accrued interest and then to principal.	2,880,948	-0-
$4,023,000 general obligation sewer bond issued December 17, 2008 to Virginia Water Facilities Revolving Fund with no interest. Principle payments of $100,575 payable October 1, 2010, and semi-annually on April 1 and October 1 thereafter for a period of 20 years until paid.	-0-	3,814,415
$1,614,000 general obligation and sewer revenue bond issued March 18, 2009, to Rural Development, with interest at 4.375%. Interest only payable on March 18, 2010, and 2011, and thereafter payable in installments on combined interest and principal of $7,280 beginning April 18, 2011, and continuing monthly thereafter for a period of 40 years until paid. Each payment is to be applied first to accrued interest and then to principal.	-0-	1,609,885
Revenue Bonds:		
$6,297,990 sewer revenue bond issued September 01, 1994, to Virginia Water Facilities Revolving Fund with no interest. Principal payments of $157,435 payable June 01, 1995, and semi-annually thereafter for a period of 20 years.	-0-	786,677

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

Details of Long-Term Indebtedness

Enterprise Fund:	Water	Wastewater
$4,000,000 water revenue bonds issued May 27, 2004, to Rural Development, with interest at 4.375%. Interest is payable only on May 27, 2005, and thereafter payable in installments on combined interest and principal of $17,840 beginning June 27, 2005, and continuing monthly thereafter for a period of 39 years until paid. Each payment is to be applied first to accrued interest and then to principal.	3,722,085	-0-
$1,148,460 water revenue bonds issued June 16, 2005 to Virginia Resource Authority, with interest at 0% payable in installments of $19,141 beginning July 1, 2006, and continuing semi-annually on January 1 and July 1 thereafter for a period of 30 years until paid.	934,317	-0-
$860,000 sewer revenue bond issued December 17, 2005 to Virginia Water Facilities Revolving Fund with no interest. Principle payments of $21,500 payable March 1, 2006, and semi-annually on September 1 and March 1 thereafter for a period of 20 years until paid.	-0-	570,462
$250,041 water revenue note issued November 4, 2009 to Powell Valley National Bank, with interest at 4.75%. Combined interest and principle payments of $2,630 are due in monthly installments beginning December 4, 2009 and continuing for a period of 10 years until paid.	217,042	-0-
$1,500,000 water revenue bonds issued June 23, 2004 to Rural Development with interest at 4.375%. Interest is payable only on June 23, 2005, and thereafter payable in installments on combined interest and principle of $6,690 beginning July 23, 2005, and continuing monthly thereafter for a period of 40 years until paid. Each payment is to be applied first to accrued interest and then to principle.	1,399,667	-0-
TOTAL ENTERPRISE FUNDS LONG-TERM DEBT	$11,286,791	$7,081,552

10. ***CLAIMS, JUDGEMENTS, AND COMPENSATED ABSENCES***
PRIMARY GOVERNMENT

In accordance with GASB Statement 16 "Accounting and Financial Reporting Principals for Claims and Judgments and Compensated Absences", the Town has accrued the liability arising from outstanding claims and judgments and compensated absences.

Town employees earn general leave according to the following schedule:

(1) Permanent full-time employees with less than five years of service earn 1 1/2 work days per month.
(2) Permanent full-time employees with five years, but less than ten years of service, earn two work days per month.

10. ***CLAIMS, JUDGEMENTS, AND COMPENSATED ABSENCES (Continued)***

(3) Permanent full-time employees with ten or more years of service earn 2 1/2 work days per month.
(4) Part-time employees who work 1,000 hours in a given year will earn five days annual leave.

Accumulated general leave is paid upon termination according to the following schedule:
(1) A permanent employee who is separated from the Town service shall be given full pay for his/her accumulated annual leave up to a maximum ninety (90) work days. If an employee dies while in Town service, such terminal leave shall be paid to his/her estate. No terminal leave pay will be paid to persons that are terminated for disciplinary reasons. The accumulated leave maximum of ninety (90) work days reflects a policy change from the prior maximum of thirty (30) work days. At the time of the policy change implementing the maximum leave, the Town agreed to pay five (5) employees for all accumulated leave including any amounts above the ninety (90) day maximum. Presently the Town has one employee remaining of the original five that is an exception to the maximum policy limit.

The Town has outstanding accrued general leave pay totaling $176,826 in the Governmental Activities, and $132,882 in the Water and Wastewater Funds. The Town has outstanding accrued payroll taxes of $13,527 in the Governmental Activities and $10,165 in the Water and Wastewater Fund related to the accrued leave.

11. ***FUND BALANCES—GOVERNMENTAL FUNDS***

As of June 30, 2011, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	$ 486	$ —	$ 486
Restricted:			
Law Enforcement	17,410	—	17,410
Glencoe Cemetery	83,784	—	83,784
Community Development	23,090	76,162	99,252
Committed:			
Law Enforcement	35,000	—	35,000
Fire Department	50,000	—	50,000
Public Works-Streets	442,000	—	442,000
Public Works-Sanitation	58,000	—	58,000
Parks and Recreation	77,000	—	77,000
Downtown Revitalization	100,000	—	100,000
Downtown Capital Projects	20,000	—	20,000
General Administrative	71,000	—	71,000
Assigned:			
Law Enforcement	41,503	—	41,503
Fire Department	96,452	—	96,452
Public Works-Streets	71,000	—	71,000
Parks & Recreation	10,561	—	10,561
Unassigned	999,672	—	999,672
Total fund balances	$ 2,196,958	$ 76,162	$ 2,273,120

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

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

12. ***DEFINED BENEFIT PENSION PLAN***

A. Plan Description

Name of Plan: Town of Big Stone Gap, Virginia, Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one moth of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees—Plan1 and Plan 2:

- Members hired before July 1, 2010 and who service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 10 years of service credit or age 50 with at least five years of service.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under pLan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% to 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provided death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf or obtained by writing to the System Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended to contribute 5% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the Town of Big Stone Gap, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended June 30, 2011 was 7.88% of annual covered payroll.

C. Annual Pension Cost

For the fiscal year 2011, the Town of Big Stone Gap's annual pension cost of $239,185 was equal to the Town's required and actual contributions.

PRIMARY GOVERNMENT:

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	$239,185	100%	$ -0-
June 30, 2010	175,565	100	-0-
June 30, 2009	171,130	100	-0-

The FY 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.5% (b) projected salary increases of 3.75% to 5.60% per year for general government employees and 3.5% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2010 the most recent actuarial valuation date, the plan was 82.66% funded. The actuarial accrued liability for benefits was $9,862,454, resulting in an unfunded actuarial accrued liability (UAAL) of $1,710,560. The covered payroll (annual payroll of active employees covered by the plan) was $1,999,595, and ratio of the UAAL to the covered payroll was 85.55%.

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

D. Funded Status and Funding Progress***(Continued)***

The schedule of funding progress, presented as Required Supplementary Information following these notes, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

REQUIRED SUPPLEMENTARY INFORMATION

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

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2010	$8,151,894	$9,862,454	$ 1,710,560	82.66%	$1,999,595	85.55%
June 30, 2009	8,335,239	8,942,112	606,872	93.21	1,936,495	31.34
June 30, 2008	8,469,322	8,265,814	(203,508)	102.46	1,879,431	(10.83)

13. ***OTHER POST-EMPLOYMENT BENEFITS***

The Governmental Accounting Standards Board (GASB) has issued its Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefit Plans Other Than Pensions.* The Statement establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense and related liabilities in the financial statements. The cost of post-employment healthcare benefits should be associated with the period in which the cost occurs, rather than in the future years when it will be paid. The Town of Big Stone Gap adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2010. recognition of the liability accumulated from prior years will be phased in over 30 years commencing with the 2010 liability.

The Town meets the requirements to use the alternative measurement method and elects to use the alternative measurement method.

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2011, the Town's annual OPEB costs of $36,945 for governmental activities and $17,450 for business-type activities, respectively, were equal to the Annual Required Contribution (ARC).

	Governmental Activities	**Business-type Activities**	**Total**
Annual required contribution	$ 74,967	$ 33,681	$108,648
Interest on net OPEB obligation	1,007	452	1,459
Adjustment to annual required contribution	(1,297)	(582)	(1,879)
Annual OPEB cost	$ 74,677	$ 33,551	$108,228
Contributions made (Age Adjusted)	(37,731)	(16,101)	(53,832)
Increase in net OPEB obligation	36,946	17,450	54,396
Net OPEB obligation-beginning of year	$ 34,189	14,448	$ 48,637
Net OPEB obligation-end of year	$ 71,135	$ 31,898	$103,033

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

The Town's annual OPEB cost for governmental activities, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows. The Town's first year of implementing GASB No. 45 was June 30, 2010.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	$ 74,677	49.7%	$ 71,135
June 30, 2010	$ 74,563	54.3%	$ 34,189

The Town's annual OPEB cost for governmental activities, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows. The Town's first year of implementing GASB No. 45 was June 30, 2010.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	$ 33,551	49.7%	$ 31,898
June 30, 2010	$ 31,955	54.3%	$ 14,448

Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Activity Type	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Governmental	$ -0-	$ 699,945	$ 699,945	0.00%	$1,359,492	51.49%
Business-type	$ -0-	$ 299,976	$ 299,976	0.00%	$ 582,640	51.49%

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The entry age normal cost method was used to determine liabilities under the alternative measurement method. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. Active employees are assumed to retire at age 61 which is the historical average age of retirement for employees of the Town. Active employees age 61 or older who have qualified postemployment benefits under the plan are assumed to retire in the first projected year. A healthcare plan that includes both retirees and active employees contains a blended rate. The rate used in the calculation is the age-adjusted premium less the contribution from the retiree or blended premium. The actuarial assumptions for the Town included: inflation at 3.0 and an investment rate of return of 3.0%. The expected rate of increase in healthcare insurance premiums is based on the Getzen model promulgated by Society of Actuaries. Using the level percent of payroll method, the payroll growth rate has been set to the inflation rate. Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics. The 2004 United States Life Tables for Males and the United States Life Tables for Females were used. Life expectancies that include partial years were rounded to the nearest whole year. The calculation of postemployment health insurance coverage for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables. The probability that an employee will remain employed until the assumed retirement age was determined using non-group specific age-based turnover data provided in Table 1 in paragraph 35b of GASB Statement 45. The unfunded accrued liability is being amortized over 30 years. The remaining amortization period at June 30, 2011 is 28 years.

<u>Plan Description</u>

The Town provides post-employment medical coverage for retired employees through a single-employer defined benefit plan. The Town may change, add or delete coverage as they deem appropriate and with the approval of the Town Council. The plan does not grant retirees vested health benefits.

A retiree, eligible for post-retirement medical coverage, is defined as a full-time employee who retires directly from the Town and is eligible to receive an early or regular retirement benefit from the VRS. Employees applying for early or regular retirement are eligible to continue participation in the Retiree Health Plans sponsored by the Town. The Town pays 100% of the premium based on the following parameters:

1) Employees with 15 to 19 years of continuous service at retirement receive medical and dental insurance coverage for a maximum of two years.
2) Employees with 20 or more years of continuous service at retirement receive medical and dental insurance coverage for a maximum of five years.
3) There is no coverage for dependents.

<u>Funding Policy</u>

The Town currently funds post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2011, the Town had not designated any funding for the OPEB liability.

14. *DEFERRED REVENUE*

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling $104,807 is comprised of the following:

Deferred Property Tax Revenue:
Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled $104,807 at June 30, 2011.

15. *COMMITMENTS AND CONTINGENCIES*

Litigation
In regard to litigation involving the Town of Big Stone Gap, Virginia, we are not aware of any material contingent liabilities that could affect the financial statements.

16. *SURETY BONDS*

The Town of Big Stone Gap has a blanket bond with USF&G covering all town employees at $10,000 per employee. The Town has an additional $1,000,000 policy with Tubor Insurance Company covering the Town's public officials.

17. *ENCUMBRANCES OUTSTANDING*

Outstanding encumbrances of the proprietary fund types are not reflected in the accompanying financial statements as a reservation of retained earnings, in keeping with the fund type's measurement focus. However, Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund. At June 30, 2011, certain amounts which were restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Encumbrances included in governmental fund balances are as follows (in thousands):

	Encumbrances Included in:		
	Restricted Fund Balance	Committed Fund Balance	Assigned Fund Balance
General Fund for Capital Assets	$ -	$ -	$ 145,969
General Fund for Other Purposes	-	-	15,311
Total Encumbrances	$ -	$ -	$ 161,280

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND REVENUES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2011

	Original Budget	Budget as Amended	Actual	Variance Favorable (Unfavorable)
PRIMARY GOVERNMENT				
GENERAL FUND:				
Revenue from Local Sources:				
General Property Taxes:				
Real property taxes	$ 742,850	$ 742,850	$ 753,788	$ 10,938
Real and personal public service corporation property taxes	40,000	40,000	46,567	6,567
Personal property taxes	159,800	159,800	157,059	(2,741)
Machinery and tools taxes	500	500	1,205	705
Penalties and interest	18,300	18,300	26,798	8,498
Total General Property Taxes	961,450	961,450	985,417	23,967
Other Local Taxes:				
Local sales and use taxes	240,000	240,000	278,650	38,650
Cigarette taxes	36,000	36,000	34,500	(1,500)
Utility taxes	121,000	121,000	121,666	666
Business licenses taxes	263,000	263,000	257,689	(5,311)
Franchise license taxes	-	-	-	-
Communication taxes	200,000	200,000	202,260	2,260
Motor vehicle licenses	70,000	70,000	59,702	(10,298)
Bank stock taxes	80,000	80,000	102,233	22,233
Hotel and motel room taxes	15,000	15,000	11,500	(3,500)
Restaurant food taxes	500,000	500,000	515,271	15,271
Coal road improvement taxes	150,000	150,000	198,370	48,370
Total Other Local Taxes	1,675,000	1,675,000	1,781,841	106,841
Permits, Privilege Fees, And Regulatory Licenses	4,300	4,300	4,672	372
Fines and Forfeitures	30,000	30,000	35,080	5,080
Revenue From Use Of Money and Property:				
Revenue from use of money	8,500	8,500	5,875	(2,625)
Revenue from use of property	11,000	11,000	8,240	(2,760)
Total Revenue From Use of Money and Property	19,500	19,500	14,115	(5,385)
Charges For Services:				
Fire services	4,000	4,000	3,350	(650)
Security	-	-	2,767	2,767
Charges for sanitation and waste removal	300,000	300,000	299,072	(928)
Charges for parks and recreation	28,200	28,200	30,561	2,361
Cemetery plots and materials	33,000	33,000	36,251	3,251
Swimming pool donations	-	-	-	-
Police Restitution	27,789	128,362	20,849	(107,513)
Charges for maintenance of highways, bridges, and streets	-	-	-	-
Total Charges For Services	392,989	493,562	392,850	(100,712)
Miscellaneous Revenue	-	16,400	15,289	(1,111)
Recovered Costs	128,500	128,500	128,075	(425)
Total Revenue From Local Sources	$ 3,211,739	$ 3,328,712	$ 3,357,339	$ 28,627

The accompanying notes are and integral part of the financial statements.

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND REVENUES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2011

	Budget	Budget as Amended	Actual	Variance Favorable (Unfavorable)
Revenue From The Commonwealth:				
Non-Categorical Aid:				
ABC profits	$ -	$ -	$ -	$ -
Wine taxes	-	-	-	-
Motor vehicle carriers' taxes	1,500	1,500	919	(581)
Mobile home titling taxes	7,000	7,000	1,261	(5,739)
Rolling stock taxes	9,000	9,000	9,181	181
Assistance to localities with police departments	143,000	143,000	143,944	944
Total Non-Categorical Aid	160,500	160,500	155,305	(5,195)
Other Categorical Aid:				
Street and highway maintenance	620,000	620,000	649,723	29,723
Litter control	1,000	1,000	985	(15)
Financial assistance to the arts	5,000	5,000	5,000	-
Fire programs fund	28,000	28,000	29,665	1,665
VDOT (ISTEA)	82,265	82,265	-	(82,265)
Emergency Response grant	-	-	19,236	19,236
Drug task force grant	83,366	113,366	22,578	(90,788)
Law enforcement grant	-	54,283	54,267	(16)
Total Other Categorical Aid	819,631	903,914	781,454	(122,460)
Total Revenue From The Commonwealth	980,131	1,064,414	936,759	(127,655)
Revenue From The Federal Government:				
Payment In Lieu of Taxes:				
Payment in lieu of property taxes	48,400	48,400	20,311	(28,089)
Total Payment in Lieu of Taxes	48,400	48,400	20,311	(28,089)
Categorical Aid:				
Edward Byrne Memorial Formula Grant	853,403	1,706,807	405,000	(1,301,807)
Community Developmnet Block Grant	700,000	700,000	5,000	(695,000)
Big Stone Gap DUI Grant	-	25,750	14,813	(10,937)
Total Categorical Aid	1,553,403	2,432,557	424,813	(2,007,744)
Total Revenue From The Federal Government	1,601,803	2,480,957	445,124	(2,035,833)
Prior Years Surplus	-	-	-	-
TOTAL GENERAL FUND	5,793,673	6,874,083	4,739,222	(2,134,861)
Community Development Fund:				
Revenue From Local Sources:				
Revenue from use of money	-	-	113	113
Total Revenue From Local Sources	-	-	113	113
Total Community Development Fund	-	-	113	113
Charges for services:				
Collection fees	-	-	1,724	1,724
Total Charges for Services	-	-	1,724	1,724
TOTAL SPECIAL REVENUE FUNDS	-	-	1,837	1,837
GRAND TOTALS - REVENUES - PRIMARY GOVERNMENT FUNDS	$ 5,793,673	$ 6,874,083	$ 4,741,059	$(2,133,024)

The accompanying notes are and integral part of the financial statements.

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2011

	Original Budget	Budget as Amended	Actual	Variance Favorable (Unfavorable)
PRIMARY GOVERNMENT				
GENERAL FUND:				
General Government Administration:				
Legislative:				
Town Council	$ 37,165	$ 37,165	$ 38,565	$ (1,400)
Mayor	5,085	5,085	4,301	784
Total Legislative	42,250	42,250	42,866	(616)
General and Financial Administration:				
Town Manager	114,400	114,400	116,237	(1,837)
Legal and consulting	33,000	33,000	35,714	(2,714)
Independent auditor	11,500	11,500	11,520	(20)
Treasurer/Clerk	184,400	184,400	178,025	6,375
Accounting	71,800	71,800	72,996	(1,196)
Risk management	129,342	129,342	114,610	14,732
Automotive/motor pool	117,450	117,450	127,101	(9,651)
Central purchasing	71,470	71,470	74,659	(3,189)
Data processing	56,600	56,600	58,869	(2,269)
Total General and Financial Administration	789,962	789,962	789,731	231
Total General Government Administration	832,212	832,212	832,597	(385)
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	1,251,400	1,347,833	1,190,703	157,130
Drug task force	964,558	1,948,535	439,695	1,508,840
Total Law Enforcement and Traffic Control	2,215,958	3,296,368	1,630,398	1,665,970
Fire and Rescue Services:				
Volunteer fire department	133,950	166,950	93,800	73,150
Ambulance and rescue services	5,000	5,000	5,000	-
Total Fire and Rescue Services	138,950	171,950	98,800	73,150
Inspections:				
Building	11,185	11,185	11,991	(806)
Plumbing	-	-	-	-
Total Inspections	11,185	11,185	11,991	(806)
Total Public Safety	2,366,093	3,479,503	1,741,189	1,738,314
Public Works:				
Maintenance of Highways, Streets, Bridges and Sidewalks:				
Highways, streets, bridges, and sidewalks	650,220	650,220	559,522	90,698
Storm drainage	5,000	5,000	33,485	(28,485)
Street lights	65,000	65,000	75,692	(10,692)
Snow and ice removal	37,000	37,000	38,082	(1,082)
Curbs and guttering	15,000	15,000	5,813	9,187
Total Maintenance of Highways, Streets, Bridges, and Sidewalks	772,220	772,220	712,594	59,626

The accompanying notes are an integral part of the financial statements

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2011

	Budget	Budget as Amended	Actual	Variance Favorable (Unfavorable)
Sanitation and Waste Removal:				
Refuse collection	$ 206,560	$ 206,560	$ 178,990	$ 27,570
Litter control	-	-	-	-
Total Sanitation and Waste Removal	206,560	206,560	178,990	27,570
Maintenance of General Buildings and Grounds:				
General properties	142,200	142,200	146,997	(4,797)
Total Public Works	1,120,980	1,120,980	1,038,581	82,399
Health and Welfare:				
Area agency on aging	-	-	-	-
Property tax relief for elderly	37,500	37,500	27,892	9,608
Total Welfare/Social Services	37,500	37,500	27,892	9,608
Total Health and Welfare	37,500	37,500	27,892	9,608
Parks, Recreation and Cultural:				
Administration	316,900	316,900	333,238	(16,338)
Green Belt Trail	82,265	82,265	46,619	35,646
Maintenance	-	-	-	-
Swimming pool	39,035	39,035	43,152	(4,117)
Cemeteries	118,050	118,050	72,201	45,849
Team activities	-	-	-	-
Fourth of July	-	-	-	-
Big Cherry Lake	-	-	-	-
Total Parks and Recreation	556,250	556,250	495,210	61,040
Cultural Enrichment:				-
Pro-Art	4,000	4,000	4,000	-
Lonesome Pine Arts and Crafts	4,000	4,000	4,000	-
Contribution to Gap Corporation	10,000	10,000	10,000	-
Crooked Road	5,000	5,000	5,000	-
Miscellaneous	13,500	13,500	10,000	3,500
Total Cultural Enrichment	36,500	36,500	33,000	3,500
Library:				
Payments to regional library	2,250	2,250	2,250	-
Total Parks, Recreation and Cultural	595,000	595,000	530,460	64,540
Community Development:				
Planning	10,000	10,000	-	10,000
Telecommunications	-	-	-	-
Community development	751,600	751,600	133,659	617,941
Zoning board	-	-	-	-
Total Planning and Community Development	761,600	761,600	133,659	627,941
Total Community Development	761,600	761,600	133,659	627,941

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2011

	Budget	Budget as Amended	Actual	Variance Favorable (Unfavorable)
Non-Departmental:				
Contingency	$ 59,788	$ 26,788	$ 100	$ 26,688
Christmas decorations	-	-	-	-
Total Non-Departmental	59,788	26,788	100	26,688
Debt Service:				
Principal retirement	$ 30,500	$ 30,500	$ 27,370	$ 3,130
Interest	-	-	2,907	(2,907)
Total Non-Departmental	30,500	30,500	30,277	223
TOTAL GENERAL FUND	5,803,673	6,884,083	4,334,755	2,549,328
SPECIAL REVENUE FUNDS:				
Community development	-	-	-	-
Total Community Development	-	-	-	-
TOTAL SPECIAL REVENUE FUNDS	-	-	-	-
GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS	$5,803,673	$6,884,083	$4,334,755	$ 2,549,328
OTHER FINANCING RESOURCES (USES):				
Sale of property	-	-	-	-
Insurance recoveries	10,000	10,000	9,088	(912)
Transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	10,000	10,000	9,088	(912)
Net Increase (Decrease) in Fund Balances	$ -	$ -	$ 415,392	$ 415,392

The accompanying notes are an integral part of the financial statements.

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF TREASURER'S ACCOUNTABILITY
June 30, 2011

ASSETS HELD BY THE TREASURER:		
Cash on hand		$ 900
Cash in banks:		
Checking:		
Wachovia	1,390,181	
Branch Bank and Trust	40	
New Peoples Bank	-	
Powell Valley National Bank	66,378	
Total Checking		1,456,599
Savings:		
Branch Bank and Trust	108,161	
Powell Valley National Bank	515,497	
Wachovia	109,472	
Total savings		733,130
Certificates of Deposit:		
Branch Bank and Trust	242,022	
Powell Valley National Bank	1,523,618	
New Peoples Banks	531,744	
Wachovia	11,913	
Total Certificates of Deposit		2,309,297
TOTAL CASH IN BANKS		$ 4,499,026
TOTAL CASH		$ 4,499,926
LIABILITIES OF THE TREASURER:		
BALANCE OF TOWN FUNDS		$ 4,499,926

The accompanying notes are an integral part of the financial statements

TOWN OF BIG STONE GAP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

A) SUMMARY OF AUDIT RESULTS

1) The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Town of Big Stone Gap, Virginia.

2) No significant deficiencies relating to the audit of the general purpose financial statements of the Town of Big Stone Gap, Virginia, are reported in the Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

3) No instances of non-compliance material to the general purpose financial statements of the Town of Big Stone Gap, Virginia, were disclosed during the audit.

4) No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.

5) The Auditor's report on Compliance for the Major Federal Award Programs for the Town of Big Stone Gap, Virginia, expresses an unqualified opinion.

6) Audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circluar A-133 are reported in this Schedule.

7) The programs tested as major programs are designated with an "*" on the accompanying Schedule of Expenditures of Federal Awards.

8) The threshold for distinguishing types A & B programs was $300,000.

9) The Town of Big Stone Gap, Virginia, was not eligible to be a low risk auditee.

B) FINDINGS - GENERAL PURPOSE FINANCIAL STATEMENTS AUDIT

NONE

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

NONE

TOWN OF BIG STONE GAP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

	Federal Catalogue Number		Expenditures	
DEPARTMENT OF AGRICULTURE:				
Direct Payments:				
VIRGINIA WATER SUPPLY REVOLVING FUND				
Capitalization Grants for Drinking Water-State Revolving Funds	66.468	$	115,710	
RURAL DEVELOPMENT				
Water Systems	10.760		313,806	
Waste & Water Disposal Systems	10.760		348,795	
ENVIRONMENTAL PROTECTION AGENCY				
Office of Water				
ARRA-Capitalization Grants for Drinking Water	66.458		805,442	*
DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT:				
Community Development Grants	14.228		5,000	
DEPARTMENT OF JUSTICE				
ARRA-Assistance to Rural Law Enforcement to Combat Crime & Drugs	16.810		394,414	*
DEPARTMENT OF TRANSPORTATION				
DUI Grant	20.607		16,865	
TOTAL		$	2,000,032	

* **Denotes Major Program or Major Program Cluster**

STATISTICAL SECTION

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

CONTENTS **PAGE**

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

TABLE 1

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

	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities								
Invested in capital assets, net of related debt	$ 3,949,175	$ 3,911,123	$ 3,840,489	$ 3,870,572	$ 4,322,378	$ 4,210,611	$ 4,179,588	$ 4,314,741
Restricted	-	-	-	-	-	-	-	200,446
Unrestricted	500,048	186,099	290,736	419,933	641,213	1,180,943	1,726,246	1,941,252
Total governmental activities net assets	4,449,223	4,097,222	4,131,225	4,290,505	4,963,591	5,391,554	5,905,834	6,456,439
Business-type activities								
Invested in capital assets, net of related debt	5,180,735	5,940,084	7,019,173	7,928,103	8,569,892	9,003,225	10,708,386	12,017,827
Restricted	-	-	-	-	-	-	-	-
Unrestricted	1,474,485	1,488,020	1,292,633	885,858	893,538	1,491,719	1,601,325	1,857,691
Total business-type activities	6,655,220	7,428,104	8,311,806	8,813,961	9,463,430	10,494,944	12,309,711	13,875,518
Primary government								
Invested in capital assets, net of related debt	9,129,910	9,851,207	10,859,662	11,798,675	12,892,270	13,213,836	14,887,974	16,332,568
Restricted	-	-	-	-	-	-	-	200,446
Unrestricted	1,974,533	1,674,119	1,583,369	1,305,791	1,534,751	2,672,662	3,327,571	3,798,943
Total primary government net assets	$ 11,104,443	$ 11,525,326	$ 12,443,031	$ 13,104,466	$ 14,427,021	$ 15,886,498	$ 18,215,545	$ 20,331,957

1) Trend data is only available for the last eight fiscal years due to implementation of GASB 34
2) Fiscal year 2003-04 restricted net assets were restated to properly reflect GASB 34 guidelines
3) Accounting standards require net assets be reported in three catagories in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted when 1) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or) imposed by law through constitutional provisions or enabling legislation.

TABLE 2

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

	2004	2005	2006	2007	2008	2009	2010	2011
Expenses								
Governmental Activities:								
General government	$ 970,833	$ 773,661	$ 861,508	$ 717,663	$ 750,048	$ 793,862	$ 853,099	$ 752,749
Public safety	1,144,266	1,303,450	1,278,834	1,371,247	1,680,063	1,788,780	1,794,103	1,711,243
Public works	1,098,933	1,223,855	1,137,172	1,195,888	1,195,768	1,057,026	1,156,339	1,087,526
Health and welfare	17,558	19,202	18,399	29,134	18,697	19,267	27,639	27,892
Parks, recreation and cultural	448,486	596,376	571,915	485,523	502,666	429,139	483,823	492,531
Community development	121,567	168,063	74,191	4,768	37,805	132,685	8,907	133,659
Interest on long-term debt	8,211	7,315	19,775	13,021	7,455	3,479	3,727	2,907
Non-departmental	20,462	25,829	3,762	19,745	15,264	4,469	331	100
Total government activities expense	3,830,316	4,117,751	3,965,556	3,836,989	4,207,766	4,228,707	4,327,968	4,208,607
Business-Type Activities:								
Water	1,560,611	1,947,808	3,069,246	2,336,166	2,324,170	2,382,111	2,554,898	2,599,843
Wastewater	1,007,646	977,551	1,031,861	1,023,874	1,173,133	1,197,494	1,422,626	1,561,332
Total business-type activities expenses	2,568,257	2,925,359	4,101,107	3,360,040	3,497,303	3,579,605	3,977,524	4,161,175
Total primary government expenses	$ 6,398,573	$ 7,043,110	$ 8,066,663	$ 7,197,029	$ 7,705,069	$ 7,808,312	$ 8,305,492	$ 8,369,782
Program Revenues								
Governmental Activities:								
Charges for services								
Public safety	$ 32,831	$ 11,853	$ 6,261	$ 98,895	$ 86,494	$ 90,531	$ 74,333	$ 26,966
Public works	329,694	293,123	295,188	293,745	302,458	298,475	299,240	299,072
Parks,recreation and culture	75,267	49,559	49,115	47,326	65,745	82,602	68,182	68,536
Community development	-	-	-	-	-	-	-	-
Operating grants and contributions	201,016	821,414	883,801	862,762	1,098,713	1,205,841	1,127,046	1,345,211
Capital grants and contributions	26,665	96,992	66,048	87	97,714	31,500	25,167	5,000
Total governmental activities program revenues	665,473	1,272,941	1,300,413	1,302,815	1,651,124	1,708,949	1,593,968	1,744,785
Business-Type Activities:								
Charges for services								
Water	1,710,378	1,616,708	1,493,323	1,619,820	2,451,915	2,590,632	2,448,059	2,578,259
Wastewater	1,135,176	1,308,352	1,222,785	1,251,343	1,226,704	1,266,356	1,384,341	1,485,525
Operating grants and contributions	-	-	-	-	-	-	-	-
Capital grants and contributions	-	763,601	2,241,987	974,638	445,790	731,453	1,931,772	1,645,042
Total business-type activities program revenues	2,845,554	3,688,661	4,958,095	3,845,801	4,124,409	4,588,441	5,764,172	5,708,826
Total primary government program revenues	$ 3,511,027	$ 4,961,602	$ 6,258,508	$ 5,148,616	$ 5,775,533	$ 6,297,390	$ 7,358,140	$ 7,453,611
Net (Expense)/Revenue								
Governmental Activities	$ (3,164,843)	$ (2,844,810)	$ (2,665,143)	$ (2,534,174)	$ (2,556,642)	$ (2,519,758)	$ (2,734,000)	$ (2,463,822)
Business-Type Activities:	277,297	763,302	856,988	485,761	627,106	1,008,836	1,786,648	1,547,651
Total primary government net (expense)/revenue	$ (2,887,546)	$ (2,081,508)	$ (1,808,155)	$ (2,048,413)	$ (1,929,536)	$ (1,510,922)	$ (947,352)	$ (916,171)

TABLE 2 cont.

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

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

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

TABLE 3

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

	2004	2005	2006	2007	2008	2009	2010	2011
General Fund								
Reserved	$ -	$ -	$ -	$ -	$ -	$ 48,008	$ 14,423	$ -
Unreserved	373,062	234,325	358,188	493,491	658,449	1,162,322	1,768,980	-
Nonspendable								$ 486
Restricted								124,284
Committed								853,000
Assigned								219,516
Unassigned								999,672
Total general fund	$ 373,062	$ 234,325	$ 358,188	$ 493,491	$ 658,449	$ 1,210,330	$ 1,783,403	$ 2,196,958
All Other Governmental Funds								
Reserved	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved, reported in:								
Special Revenue fund	58,121	61,291	64,283	66,905	69,665	72,213	74,325	-
Nonspendable								$ -
Restricted								76,162
Committed								-
Assigned								-
Unassigned								-
Total all other governmental funds	$ 58,121	$ 61,291	$ 64,283	$ 66,905	$ 69,665	$ 72,213	$ 74,325	$ 76,162

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

TABLE 4

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
General property taxes	$ 658,005	$ 661,135	$ 723,390	$ 761,126	$ 838,581	$ 831,352	$ 842,666	$ 818,375	$ 992,148	$ 985,417
Other local taxes	1,170,955	1,285,432	1,393,941	1,476,237	1,587,388	1,515,284	1,683,880	1,750,302	1,832,613	1,781,841
Permits and licenses	7,666	10,111	15,322	10,114	6,366	6,830	19,624	4,698	3,184	4,672
Fines and forfeitures	88,823	28,030	27,925	22,894	45,240	39,717	31,517	41,271	32,447	35,080
Investment earnings	24,832	22,262	15,782	13,432	16,579	20,924	19,175	16,159	16,401	14,228
Charges for services	371,271	357,258	394,545	354,535	350,564	439,966	474,697	471,608	441,755	394,574
Other revenues	2,243	18,603	348	2,262	5,134	12,170	12,480	9,889	147,254	15,289
recovered cost	112,095	117,584	115,214	114,200	114,100	113,680	128,105	124,865	126,919	128,075
Intergovernmental	1,030,080	755,269	866,128	983,661	1,012,901	987,155	1,246,339	1,323,670	1,215,041	1,381,883
Total revenues	3,465,970	3,255,684	3,552,595	3,738,461	3,976,853	3,967,078	4,458,483	4,560,837	4,807,762	4,741,059
Expenditures										
General government	655,484	681,652	916,735	709,666	719,051	661,192	767,943	740,792	794,343	832,597
Public safety	890,490	967,094	1,066,699	1,200,075	1,209,963	1,283,365	1,658,265	1,714,114	1,693,280	1,741,189
Public works	1,046,696	981,327	1,043,372	1,160,119	1,104,490	1,165,941	1,088,867	949,673	1,209,698	1,038,581
Health and welfare	18,254	16,761	17,558	19,202	18,399	29,134	18,697	19,267	27,639	27,892
Parks, recreation and culture	531,350	417,425	433,592	577,073	559,841	545,334	635,346	429,224	491,009	530,460
Community development	134,458	93,900	121,567	138,839	112,581	4,768	37,805	132,685	8,907	133,659
Non-Departmental	-	68,140	20,462	25,829	3,762	19,745	15,264	4,469	331	100
Debt service										
Principal	98,284	96,951	30,000	112,708	117,331	121,450	125,357	80,130	26,550	27,370
Interest	16,506	14,635	8,211	7,315	19,775	13,021	7,455	3,479	3,727	2,907
Total expenditures	3,391,522	3,337,885	3,658,196	3,950,826	3,865,193	3,843,950	4,354,999	4,073,833	4,255,484	4,334,755
Excess of revenues over (under) expenditures	74,448	(82,201)	(105,601)	(212,365)	111,660	123,128	103,484	487,004	552,278	406,304
Other Financing Sources (Uses)										
Proceeds from borrowing	-	-	-	-	-	-	-	-	-	-
Insurance Recoveries	-	10,901	4,672	9,298	15,195	14,797	64,234	67,425	22,907	9,088
Proceeds from sale of assets	-	-	-	67,500	-	-	-	-	-	-
Total other financing sources (uses)	-	10,901	4,672	76,798	15,195	14,797	64,234	67,425	22,907	9,088
Net change in fund balance	$ 74,448	$ (71,300)	$ (100,929)	$ (135,567)	$ 126,855	$ 137,925	$ 167,718	$ 554,429	$ 575,185	$ 415,392
Debt service as a percentage of noncapital expenditures	3.50%	3.46%	1.06%	3.13%	3.68%	3.63%	3.15%	2.10%	0.72%	0.70%

TABLE 5

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

Fiscal Years Ended June 30	Real Estate	Personal Property	Machinery and Tools	Public Utilities Real Estate	Public Utilities Personal Property	Mobile Homes	Total Assessed Value	Total Direct Tax rate per $100
2011	$174,834,870	$ 25,961,831	$ 141,030	$ 10,179,955	$ 60,570	$ 803,270	$ 211,981,526	$ 0.465
2010	173,298,221	25,419,146	147,540	9,506,935	61,100	766,300	209,199,242	0.474
2009	142,455,414	27,402,120	137,290	7,689,292	48,315	839,890	178,572,321	0.980
2008	140,791,413	27,097,226	118,670	8,310,736	105,154	711,290	177,134,489	0.951
2007	139,581,582	36,603,741	107,720	7,979,530	104,991	688,590	185,066,154	0.819
2006	138,217,270	26,394,076	85,215	9,931,068	122,021	637,007	175,386,657	0.905
2005	142,453,825	22,198,809	192,000	10,439,789	147,059	724,322	176,155,804	0.838
2004	136,464,849	23,055,798	237,711	11,435,267	254,203	801,608	172,249,436	0.809
2003	118,169,926	22,528,025	104,340	9,745,635	162,898	753,380	151,464,204	0.849
2002	117,776,313	23,839,612	267,145	9,518,177	177,924	739,450	152,318,621	0.769

1) Property is assessed at actual value therefore the assessed values are equal to actual value.

TABLE 6

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

Fiscal Years Ended June 30	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Public Utilities Real Estate	Public Utilities Personal Property	Overlapping Rates Wise County Real Estate	Overlapping Rates Wise County Personal Property
2011	$ 0.44	$ 0.62	$ 0.62	$ 0.44	$ 0.62	$ 0.44	$ 0.57	$ 1.49
2010	0.44	0.62	0.62	0.44	0.62	0.44	0.57	1.49
2009	0.44	0.62	0.62	0.44	0.62	0.44	0.57	1.49
2008	0.44	0.62	0.62	0.44	0.62	0.44	0.57	1.49
2007	0.44	0.62	0.62	0.44	0.62	0.44	0.57	1.49
2006	0.44	0.62	0.62	0.44	0.62	0.44	0.57	1.49
2005	0.39	0.62	0.62	0.39	0.62	0.39	0.57	1.49
2004	0.39	0.62	0.62	0.39	0.62	0.39	0.57	1.49
2003	0.39	0.62	0.62	0.39	0.62	0.39	0.48	1.15
2002	0.39	0.62	0.62	0.39	0.62	0.39	0.52	1.15

1) Rates are presented per $100 assessed value

TABLE 7

TOWN OF BIG STONE GAP, VIRGINIA
PRINCIPAL PROPERTY TAX PAYERS (UNAUDITED)
June 30, 2011 and June 30, 2006

June 30, 2011:

Name	Nature of Business	Assessed Value	Percent of Real Estate Levy
One Center Corp	Shopping center	$ 4,353,400	2.49%
Heritage Hall Holding	Nursing home and elderly care	3,054,800	1.75%
Bunch Family Limited Partners	Investment Company	2,800,400	1.60%
Lonesome Pine Hospital	Health care	2,325,000	1.33%
Heritage Hall Holding	Nursing home and elderly care	1,596,700	0.91%
Don Wax Estate	Estate	1,226,100	0.70%
Powell Valley National Bank	Banking operation	1,103,400	0.63%
One Center Corp	Shopping center	935,300	0.53%
Management Properties Inc.	Investment Company	950,600	0.54%
Don Wax Estate	Estate	834,600	0.48%

June 30, 2006:

Name	Nature of Business	Assessed Value	Percent of Real Estate Levy
One Center Corp	Shopping center	$ 3,935,200	2.85%
Heritage Hall Holding	Nursing home and elderly care	2,457,800	1.76%
Lonesome Pine Hospital	Health care	1,898,000	1.36%
Bunch Family Limited Partners	Investment Company	1,881,000	1.35%
Heritage Hall Holding	Nursing home and elderly care	1,329,200	0.95%
Powell Valley National Bank	Banking operation	921,500	0.66%
One Center Corp	Shopping center	780,500	0.56%
Naelcam LLC	Investment Company	740,100	0.53%
Gilliam, Carl G.	Investment Company	659,800	0.47%
Gardner, Lyle	Investment Company	648,700	0.46%

1) Schedule is ranked by the largest real estate tax assessed value.
2) Data not available for periods prior to June 30, 2006.

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

Fiscal Years Ended June 30	Total Tax Levy (1)(2)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections(3)	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Levy
2011	$ 972,863	$ 844,009	86.76%	$ 49,976	893,985	91.89%	$ 174,180	17.90%
2010	962,255	839,768	87.27%	60,251	900,019	93.53%	162,652	16.90%
2009	831,123	706,103	84.96%	31,218	737,321	88.71%	162,245	19.52%
2008	827,782	715,216	86.40%	40,322	755,538	91.27%	123,108	14.87%
2007	821,753	734,240	89.35%	15,275	749,515	91.21%	114,914	13.98%
2006	817,501	805,765	98.56%	14,753	820,518	100.37%	88,258	10.80%
2005	738,851	690,830	93.50%	51,694	742,524	100.50%	84,921	11.49%
2004	727,776	673,256	92.51%	33,244	706,500	97.08%	89,871	12.35%
2003	627,330	594,570	94.78%	35,654	630,224	100.46%	84,017	13.39%
2002	645,987	610,151	94.45%	47,854	658,005	101.86%	92,896	14.38%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Commonwealth reimbursement for auto tax included in total collections.

TABLE 9

TOWN OF BIG STONE GAP, VIRGINIA
RATIO OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
LAST EIGHT FISCAL YEARS

Fiscal Years Ended June 30	Governmental Activities: General Obligation Bonds	Governmental Activities: Capital Leases	Business-Type Activities, General Obligation Bonds: Water Bonds	Business-Type Activities, General Obligation Bonds: Wastewater Bonds	Total Primary Government	Percentage of Personal Income	Per Capita
2011	$ 58,304	-	$ 11,286,791	$ 7,081,552	$18,426,647	20.19%	$ 3,282
2010	85,674	-	11,435,252	7,668,127	19,189,053	15.23%	3,286
2009	112,224	-	11,019,967	4,263,321	15,395,512	13.13%	2,630
2008	-	79,596	8,485,007	2,776,890	11,341,493	10.48%	1,937
2007	18,762	186,191	8,620,389	2,964,524	11,789,866	14.04%	2,069
2006	36,404	289,999	8,435,936	2,933,541	11,695,880	13.46%	1,980
2005	-	390,831	7,185,539	3,292,574	10,868,944	10.52%	1,840
2004	-	120,000	1,968,937	3,440,983	5,529,920	7.05%	936

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

TABLE 10

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

Fiscal Years Ended June 30	General Bonded Debt Outstanding: General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2011	$ 58,304	0.03%	$ 10.39
2010	85,674	0.04%	14.67
2009	112,224	0.06%	19.17
2008	-	0.00%	-
2007	18,762	0.01%	3.29
2006	36,404	0.02%	6.16
2005	-	0.00%	-
2004	-	0.00%	-

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

TABLE 11

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

	Fiscal Years Ended June 30									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assessed valuations										
Assessed value of taxed real property	$ 117,776,313	$ 118,169,926	$ 136,464,849	$ 142,453,825	$ 138,217,270	$ 139,581,582	$ 140,791,413	$ 142,455,414	$ 173,298,221	$ 174,834,870
Legal debt margin										
Debt limit - 10 percent of total assessed value	11,777,631	11,816,993	13,646,485	14,245,383	13,821,727	13,958,158	14,079,141	14,245,541	17,329,822	17,483,487
Debt applicable to limitation: Total bonded debt	6,207,612	5,792,137	5,409,920	10,478,113	11,405,882	11,603,675	11,261,897	15,395,312	19,189,053	18,426,647
Less - water and wastewater revenue bonds	(6,207,612)	(5,792,137)	(5,409,920)	(10,478,113)	(11,369,478)	(11,584,913)	(11,261,897)	(8,332,137)	(8,110,008)	(7,630,250)
Total amount of debt applicable to debt limitation	-	-	-	-	36,404	18,762	-	7,063,175	11,079,045	10,796,397
Legal debt margin	$ 11,777,631	$ 11,816,993	$ 13,646,485	$ 14,245,383	$ 13,785,323	$ 13,939,396	$ 14,079,141	$ 7,182,366	$ 6,250,777	$ 6,687,090
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.26%	0.13%	0.00%	49.58%	63.93%	61.75%

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

Fiscal Years Ended June 30	Water Revenue Bonds						
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2011	$ 2,558,553	$ 1,665,123	$ 893,430	$ 294,930	$ 415,768	$ 710,698	1.26
2010	2,448,059	1,674,175	773,884	268,867	411,984	680,851	1.14
2009	2,590,632	1,556,626	1,034,006	1,739,185	361,187	2,100,372	0.49
2008	2,451,915	1,533,841	918,074	192,773	336,225	528,998	1.74
2007	1,619,820	1,535,984	83,836	186,661	348,932	535,593	0.16
2006	1,493,323	2,415,831	(922,508)	421,558	343,308	764,866	(1.21)
2005	1,616,708	1,589,122	27,586	93,338	94,691	188,029	0.15
2004	1,210,265	1,185,928	24,337	82,048	98,638	180,686	0.13
2003	1,150,593	1,123,024	27,569	81,122	103,312	184,434	0.15
2002	1,151,451	1,090,767	60,684	74,264	106,470	180,734	0.34

Fiscal Years Ended June 30	Wastewater Revenue Bonds						
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2011	$ 1,485,525	$ 896,433	$ 589,092	$ 586,575	$ 84,094	$ 670,669	0.88
2010	1,384,341	796,734	587,607	382,611	64,894	447,505	1.31
2009	1,266,356	786,454	479,902	729,031	17,333	746,364	0.64
2008	1,226,704	773,575	453,129	381,101	18,570	399,671	1.13
2007	1,251,343	655,408	595,935	381,701	19,799	401,500	1.48
2006	1,222,785	655,617	567,168	359,033	20,967	380,000	1.49
2005	1,308,352	599,795	708,557	336,417	22,085	358,502	1.98
2004	1,135,176	769,501	365,675	335,361	23,141	358,502	1.02
2003	1,104,714	561,209	543,505	334,353	24,148	358,501	1.52
2002	1,100,968	555,689	545,279	333,394	25,107	358,501	1.52

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

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

Fiscal Years Ended June 30	Population	Personal Income	Per Capita Median Income	Median Age	School Enrollment	Unemployment Rate
2011	5,614	$ 91,249,956	$ 16,254	40.2	1,758	7.35%
2010	5,839	126,028,976	21,584	39.8	1,795	6.80%
2009	5,854	117,267,328	20,032	39.2	1,762	6.60%
2008	5,854	108,176,066	18,479	39.8	1,733	4.10%
2007	5,698	83,960,030	14,735	38.6	1,647	4.10%
2006	5,906	86,877,260	14,710	39.7	1,652	4.80%
2005	5,906	103,278,222	17,487	38.8	1,722	5.00%
2004	5,906	78,455,304	13,284	39.8	1,683	5.70%

1) Source: census data, Spurling's Best Places, Dept. of Labor and IDCIDE.com
2) Data only available for last eight years

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

June 30, 2011

Employer	Product or Service	Total Estimated Employment*
Wallens Ridge Correctional Center	Public Agency	421
Lonesome Pine Hospital	Health Care	281
Mountain Empire Older Citizens	Public Agency	285
Riggs Oil Company	Fuel Distributor/Retail Sales	183

June 30, 2006

Employer	Product or Service	Total Estimated Employment*
Wallens Ridge Correctional Center	Public Agency	438
Lonesome Pine Hospital	Health Care	404
Mountain Empire Community College	Public Agency	374
Town of Big Stone Gap	Public Agency	85

1) Fiscal year 2005-06 is first year of data available
2) Source: Department of Labor

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

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

1) Source: Town's finance department

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

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

TABLE 17

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

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