



TOWN of
Big Stone GapTM
A VIRGINIA MOUNTAIN TOWN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2020

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

June 30, 2020

TOWN COUNCIL:

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

TOWN OFFICERS:

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

TOWN LEGAL COUNSEL:

Charles Bledsoe, Attorney at Law



TOWN of Big Stone Gap™ A VIRGINIA MOUNTAIN TOWN

Management Discussion and Analysis (Unaudited)

January 28, 2021

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, 2020.

Financial Highlights

- The assets of the Town exceeded its liabilities at the end of the fiscal year by \$23,652,294 (net position). Of this amount, \$748,130 is unrestricted.
- At June 30, 2020, the Town reported combined ending fund balances of \$2,676,602, a decrease of \$66,544 in comparison with the prior year. Approximately 29.74% of this total amount is available for spending at the Town Council's discretion (unassigned fund balance).
- As of June 30, 2020, the General Fund had a total Fund Balance of \$2,676,602.
- The Town of Big Stone Gap's total debt decreased by \$525,524 during the fiscal year. The total debt outstanding as of June 30, 2020 was \$13,893,498.
- As of June 30, 2020, the Town's Legal Debt Margin was \$18,550,472.
- The Water/Sewer Proprietary Fund had an increase in Net Position for the year of \$520,575.

Overview of Financial Statements

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

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

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

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

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

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

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

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

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

Government – Wide Financial Analysis

Summary of Statement of Net position – June 30, 2020

	Governmental Activities	Business Type Activities	Total
Current & other assets	\$ 3,447,147	\$ 3,066,813	\$ 6,513,960
Capital assets	9,330,909	26,771,496	36,102,405
Other noncurrent assets	-	-	-
Deferred Outflows	421,756	175,762	597,518
Total Assets	\$ 13,199,812	\$ 30,014,071	\$ 43,213,883
Current & other liabilities	\$ 579,493	\$ 491,644	\$ 1,071,137
Long-term liabilities	3,740,094	14,570,266	18,310,360
Deferred Inflows	145,402	34,690	180,092
Total Liabilities	\$ 4,464,989	\$ 15,096,600	\$ 19,561,589
Net Position:			
Invested in Capital assets			
(Net of related debt)	8,577,169	13,631,738	22,208,907
Restricted	381,382	-	381,382
Unrestricted	(223,728)	1,285,733	1,062,005
Total Net Position	\$ 8,734,823	\$ 14,917,471	\$ 23,652,294

Net position serves as a useful indicator of a government's financial position. The Town's combined net position totals \$23,652,294. By far, the largest portion of this represents investments in capital assets, such as land, buildings, machinery, and equipment. Capital assets net of related debt total \$22,208,907. The Town of Big Stone Gap uses these capital assets to provide services to citizens; and thus, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities. Fund balance includes \$1,103,167 non-spendable, \$399,841 restricted, \$190,058 committed, \$187,597 assigned, and \$795,939 unassigned funds which may be used to meet the Town's ongoing obligations to citizens and creditors.

Governmental Activities – Governmental activities decreased the Town's net position by \$95,265. Key elements of this decrease are as follows:

Governmental Activities Year Ended June 30, 2020

Revenues:	
Program Revenues:	
Charges for Services	\$ 530,372
Operating Grants and Contributions	1,288,688
Capital Grants and Contributions	94,065
General Revenues:	
Property Taxes	1,065,632
Other Local Taxes	1,685,552
Unrestricted Intergovernmental Revenue	72,101
Unrestricted Investment Earnings	6,547
Other	223,659
Total Revenues	\$ 4,966,616
Expenses:	
General Government	\$ 901,855
Public Safety	1,660,460
Public Works	1,481,585
Health and Welfare	31,123
Parks, Recreation, Culture	850,705
Community Development	102,616
Interest on Long Term Debt	33,537
Total Expenses	\$ 5,061,881
Increase (Decrease) in Net Position	\$ (95,265)

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:

	2020	2019
General Property Taxes	\$ 1,020,963	\$ 1,014,278
Other Local Taxes	1,685,552	1,774,867
Permits, Privelege Fees and Regulatory Licenses	1,028	3,335
Fines and Forfeitures	10,642	27,417
Revenue From Use of Money and Property	26,181	31,193
Charges for Services	530,372	533,541
Miscellaneous	28,460	67,603
Recovered Costs	139,834	155,712
Inter-Governmental	1,454,854	2,345,824
Total Revenues	\$ 4,897,886	\$ 5,953,770

The Town’s assessed value of real estate for the year was \$185,504,720. The real estate tax rate is \$0.44 per \$ 100 of assessed value. For the year, the percent of levy collected was 92.21%

The Town’s business type activity is the Water/Sewer Proprietary Fund. During the year, this fund had net income (change in net position) of \$520,575. Cash and cash equivalents increased by \$240,871 to \$3,679,130.

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

	Final Budget	Actual	Favorable (Unfav.) Variance
Total Revenues	\$ 6,014,181	\$ 4,897,886	\$ (1,116,295)
Total Expenses	(6,387,601)	(4,988,914)	1,398,687
Total Other Financing	373,420	24,484	(348,936)
Excess of Revenues over Expenses	\$ -	\$ (66,544)	\$ (66,544)

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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Big Stone Gap, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Big Stone Gap, Virginia as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 7 and 58, and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

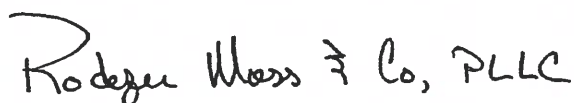
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The roster of town officials, other supplemental information as listed in the table of contents, statistical section and compliance section information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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2021, on our consideration of the Town of Big Stone Gap's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Big Stone Gap's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Norton, Virginia
January 28, 2021

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2020

EXHIBIT 1

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,500,039	\$ 2,640,541	\$ 4,140,580
Receivables:			
Taxes	185,539	-	185,539
Accounts	27,124	366,033	393,157
Other	107,270	-	107,270
Prepaid expenses	44,276	19,773	64,049
Due from other governmental units	92,779	60,768	153,547
Internal Balances	1,058,891	(1,058,891)	-
Restricted Assets:			
Cash	431,229	1,038,589	1,469,818
Capital assets, depreciable, net	6,542,694	25,747,171	32,289,865
Capital assets, non-depreciable	2,788,215	1,024,325	3,812,540
 Total Assets	 12,778,056	 29,838,309	 42,616,365
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows related to OPEB	65,850	-	65,850
Deferred Outflows related to Pensions	355,906	175,762	531,668
Total Deferred Outflows of Resources	421,756	175,762	597,518
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 \$ 13,199,812	 \$ 30,014,071	 \$ 43,213,883
<u>LIABILITIES</u>			
Accounts payable	144,131	173,265	317,396
Accrued liabilities and wages	98,135	35,430	133,565
Payable From Restricted Assets:			
Deposits	-	150,850	150,850
Drug task force reserve	330,862	-	330,862
Matured revenue interest	6,365	132,099	138,464
Long-term liabilities:			
Net pension liability	2,061,671	1,043,586	3,105,257
OPEB liability	705,956	242,747	948,703
Due within one year	121,146	640,870	762,016
Due in more than one year	632,594	12,498,888	13,131,482
Compensated absences:			
Due within one year	87,191	48,059	135,250
Due in more than one year	131,536	96,116	227,652
 Total Liabilities	 4,319,587	 15,061,910	 19,381,497
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows related to OPEB	76,870	-	76,870
Deferred Inflows related to Pensions	68,532	34,690	103,222
Total Deferred Inflows of Resources	145,402	34,690	180,092
<u>NET POSITION</u>			
Net investment in capital assets	8,577,169	13,631,738	22,208,907
Restricted	381,382	-	381,382
Unrestricted	(223,728)	1,285,733	1,062,005
 Total Net Position	 8,734,823	 14,917,471	 23,652,294
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES			
AND NET POSITION	\$ 13,199,812	\$ 30,014,071	\$ 43,213,883

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

FUNCTIONS/PROGRAMS:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 901,855	\$ -	\$ -	\$ -	\$ (901,855)	\$ -	\$ (901,855)
Public safety	1,660,460	92,095	323,642	-	(1,244,723)	-	(1,244,723)
Public works	1,481,585	304,492	917,699	-	(259,394)	-	(259,394)
Health and welfare	31,123	-	-	-	(31,123)	-	(31,123)
Parks, recreation, and cultural	850,705	133,785	6,807	-	(710,113)	-	(710,113)
Community development	102,616	-	40,540	94,065	31,989	-	31,989
Interest on long-term debt	33,537	-	-	-	(33,537)	-	(33,537)
Total Governmental Activities	5,061,881	530,372	1,288,688	94,065	(3,148,756)	-	(3,148,756)
Business-Type Activities:							
Water	2,690,842	2,615,716	-	684,856	-	609,730	609,730
Wastewater	1,700,993	1,595,868	-	-	-	(105,125)	(105,125)
Total Business-Type Activities	4,391,835	4,211,584	-	684,856	-	504,605	504,605
TOTAL PRIMARY GOVERNMENT	\$ 9,453,716	\$ 4,741,956	\$ 1,288,688	\$ 778,921	\$ (3,148,756)	\$ 504,605	\$ (2,644,151)
General Revenues:							
Property taxes					1,065,632	-	1,065,632
Local sales & use tax					212,558	-	212,558
Utility tax					110,989	-	110,989
Business license tax					241,834	-	241,834
Communication taxes					158,499	-	158,499
Motor vehicle license					63,501	-	63,501
Bank stock tax					81,915	-	81,915
Cigarette tax					46,687	-	46,687
Hotel and motel room tax					3,806	-	3,806
Restaurant food tax					735,202	-	735,202
Coal road improvement tax					30,561	-	30,561
Unrestricted intergovernmental revenue					72,101	-	72,101
Unrestricted investment earnings					6,547	15,970	22,517
Rental of Town property					19,211	-	19,211
Gain on sale of capital assets					4,381	-	4,381
Recovered costs					139,834	-	139,834
Other					60,233	-	60,233
Total general revenues and transfers					3,053,491	15,970	3,069,461
Change in net position					(95,265)	520,575	425,310
NET POSITION - JULY 1					8,830,088	14,396,896	23,226,984
NET POSITION - JUNE 30					\$ 8,734,823	\$ 14,917,471	\$ 23,652,294

The accompanying notes are an integral part of the financial statements

TOWN OF BIG STONE GAP, VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2020

EXHIBIT 3

	General Fund	Total
ASSETS		
Cash and cash equivalents	\$ 1,500,039	\$ 1,500,039
Receivables:		
Taxes	185,539	185,539
Accounts	27,124	27,124
Other	79,435	79,435
Prepaid expenses	44,276	44,276
Due from other funds	1,058,891	1,058,891
Due from other governmental units	92,779	92,779
Restricted Assets:		
Cash	431,229	431,229
Total Assets	<u>\$ 3,419,312</u>	<u>\$ 3,419,312</u>
LIABILITIES		
Accounts payable	\$ 144,131	\$ 144,131
Accrued payroll and related liabilities	81,402	81,402
Payable From Restricted Assets:		
Drug task force reserve	330,862	330,862
Due to other funds	-	-
Total Liabilities	<u>556,395</u>	<u>556,395</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred property taxes	186,315	186,315
Total Deferred Inflows of Resources	<u>186,315</u>	<u>186,315</u>
FUND BALANCES:		
Nonspendable	1,103,167	1,103,167
Restricted	399,841	399,841
Committed	190,058	190,058
Assigned	187,597	187,597
Unassigned	795,939	795,939
Total Fund Balances	<u>2,676,602</u>	<u>2,676,602</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>\$ 3,419,312</u>	<u>\$ 3,419,312</u>

EXHIBIT 4

\$ 8,734,823

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
Year Ended June 30, 2020

EXHIBIT 5

	<u>General Fund</u>	<u>TOTAL</u>
REVENUES:		
General property taxes	1,020,963	\$ 1,020,963
Other local taxes	1,685,552	1,685,552
Permits, privilege fees and regulatory licenses	1,028	1,028
Fines and forfeitures	10,642	10,642
Revenue from use of money and property	26,181	26,181
Charges for services	530,372	530,372
Miscellaneous	28,460	28,460
Recovered costs	139,834	139,834
Intergovernmental	1,454,854	1,454,854
Total Revenues	<u>4,897,886</u>	<u>4,897,886</u>
EXPENDITURES:		
Current:		
General government administration	905,550	905,550
Public safety	1,517,836	1,517,836
Public works	1,380,057	1,380,057
Health and welfare	31,123	31,123
Parks, recreation and cultural	881,679	881,679
Community development	102,616	102,616
Debt Service:		
Principle retirement	135,677	135,677
Interest	34,376	34,376
Total Expenditures	<u>4,988,914</u>	<u>4,988,914</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(91,028)</u>	<u>(91,028)</u>
OTHER FINANCING SOURCES (USES):		
Sale of property	4,381	4,381
Insurance recoveries	20,103	20,103
Loan proceeds	-	-
Transfers in (out)	-	-
Total Other Financing Sources (Uses)	<u>24,484</u>	<u>24,484</u>
Net Change in Fund Balance	(66,544)	(66,544)
FUND BALANCE AT JULY 1	<u>2,743,146</u>	<u>2,743,146</u>
FUND BALANCE AT JUNE 30	<u><u>2,676,602</u></u>	<u><u>\$ 2,676,602</u></u>

TOWN OF BIG STONE GAP, VIRGINIA
RECONCILIATION OF THE REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

EXHIBIT 6

	<u>General Fund</u>
Net Change in Fund Balance Governmental Fund:	\$ (66,544)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital Outlay	352,135
Depreciation expense	<u>(528,846)</u>
	<u>(176,711)</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	44,247
The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Principal repayments:	
General obligation debt and notes	135,677
Capital lease	-
Proceeds from debt	-
Proceeds from capital lease	<u>-</u>
	<u>135,677</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest	839
Compensated absences	10,383
Other post-employment benefits	<u>33,735</u>
	<u>44,957</u>
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
Employer pension contributions	215,734
Pension expense	<u>(292,625)</u>
	<u>(76,891)</u>
Change in Net Position of Governmental Activities	<u>\$ (95,265)</u>

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

EXHIBIT 7

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,029,606	\$ 1,610,935	\$ 2,640,541
Receivables (Net of Allowance for Uncollectibles):			
Accounts	234,965	131,068	366,033
Accrued interest	-	-	-
Due from other funds	-	1,556,435	1,556,435
Due from other governmental units	60,768	-	60,768
Prepaid expenses	10,065	9,708	19,773
Restricted Assets:			
Cash	724,714	313,875	1,038,589
Capital assets, depreciable, net	17,101,848	8,645,323	25,747,171
Capital assets, non-depreciable	954,325	70,000	1,024,325
	<u>20,116,291</u>	<u>12,337,344</u>	<u>32,453,635</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows related to Pensions	113,073	62,689	175,762
Total Deferred Outflows of Resources	<u>113,073</u>	<u>62,689</u>	<u>175,762</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 20,229,364</u>	<u>\$ 12,400,033</u>	<u>\$ 32,629,397</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 146,603	\$ 26,662	\$ 173,265
Accrued wages and liabilities	22,899	12,531	35,430
Payable From Restricted Assets:			
Customer deposits	150,850	-	150,850
Due to other funds	2,421,475	193,851	2,615,326
Accrued interest payable	108,495	23,604	132,099
Bonds and notes payable	374,051	266,819	640,870
Compensated absences	37,467	10,592	48,059
Total Current Liabilities	<u>3,261,840</u>	<u>534,059</u>	<u>3,795,899</u>
Noncurrent liabilities:			
Bonds and notes payable	8,914,382	3,584,506	12,498,888
Compensated absences	74,933	21,183	96,116
OPEB liability	157,038	85,709	242,747
Net pension liability	675,118	368,468	1,043,586
Total Noncurrent Liabilities	<u>9,821,471</u>	<u>4,059,866</u>	<u>13,881,337</u>
Total Liabilities	<u>13,083,311</u>	<u>4,593,925</u>	<u>17,677,236</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows related to Pensions	22,442	12,248	34,690
Total Deferred Inflows of Resources	<u>22,442</u>	<u>12,248</u>	<u>34,690</u>
<u>NET POSITION</u>			
Net investment in capital assets	8,767,740	4,863,998	13,631,738
Restricted	-	-	-
Unrestricted	(1,644,129)	2,929,862	1,285,733
	<u>7,123,611</u>	<u>7,793,860</u>	<u>14,917,471</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 20,229,364</u>	<u>\$ 12,400,033</u>	<u>\$ 32,629,397</u>

The accompanying notes are an integral part of the financial statements

TOWN OF BIG STONE GAP, VIRGINIA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2020

EXHIBIT 8

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Water usage fees	\$ 2,591,948	-	\$ 2,591,948
Sewer usage fees	-	1,587,573	1,587,573
Sale of labor and materials	3,949	-	3,949
Water and sewer tap fees	11,800	2,250	14,050
Miscellaneous	8,019	6,045	14,064
	<u>2,615,716</u>	<u>1,595,868</u>	<u>4,211,584</u>
Total Operating Revenues			
OPERATING EXPENSES:			
Personal services	659,820	350,692	1,010,512
Fringe benefits	273,122	206,609	479,731
Contractual services	102,081	50,105	152,186
Other charges	797,418	427,399	1,224,817
Depreciation	604,650	614,961	1,219,611
	<u>2,437,091</u>	<u>1,649,766</u>	<u>4,086,857</u>
Total Operating Expenses			
Operating Income (Loss)	<u>178,625</u>	<u>(53,898)</u>	<u>124,727</u>
NON-OPERATING REVENUES (EXPENSES) :			
Grant revenue	663,885	-	663,885
Interconnect revenue	20,971	-	20,971
Interest income	8,994	6,976	15,970
Interest expense	(253,751)	(51,227)	(304,978)
	<u>440,099</u>	<u>(44,251)</u>	<u>395,848</u>
Total Non-Operating Revenue (Expenses)			
CHANGE IN NET POSITION	<u>618,724</u>	<u>(98,149)</u>	<u>520,575</u>
NET POSITION AT JULY 1	<u>6,504,887</u>	<u>7,892,009</u>	<u>14,396,896</u>
NET POSITION AT JUNE 30	<u>\$ 7,123,611</u>	<u>7,793,860</u>	<u>\$ 14,917,471</u>

TOWN OF BIG STONE GAP, VIRGINIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2020

EXHIBIT 9

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 2,598,681	1,590,566	\$ 4,189,247
Cash payments to suppliers for goods and services	(780,949)	(462,922)	(1,243,871)
Cash payments to employees for services	(848,760)	(517,364)	(1,366,124)
Other operating income	23,768	8,295	32,063
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>992,740</u>	<u>618,575</u>	<u>1,611,315</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Increase (decrease) in customer deposits	5,445	-	5,445
(Increase) decrease in due from other funds/governments	52,500	-	52,500
Increase (decrease) in due to other funds	(200,000)	(100,000)	(300,000)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>(142,055)</u>	<u>(100,000)</u>	<u>(242,055)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
(Increase) decrease in capital assets	(1,322,352)	(86,940)	(1,409,292)
(Increase) decrease in construction in progress	340,993	-	340,993
Principle paid on revenue bonds and equipment contracts	(351,781)	(292,695)	(644,476)
Principle advances from bond and note proceeds	254,629	-	254,629
Contributed capital and Grant revenue	631,373	-	631,373
Interest paid on revenue bonds and equipment contracts	(263,890)	(53,696)	(317,586)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(711,028)</u>	<u>(433,331)</u>	<u>(1,144,359)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	8,994	6,976	15,970
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>8,994</u>	<u>6,976</u>	<u>15,970</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	148,651	92,220	240,871
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,605,669</u>	<u>1,832,590</u>	<u>3,438,259</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,754,320</u>	<u>1,924,810</u>	<u>\$ 3,679,130</u>
Displayed as:			
Cash and Cash Equivalents-Unrestricted	\$ 1,029,606	1,610,935	\$ 2,640,541
Restricted Cash	724,714	313,875	1,038,589
	<u>\$ 1,754,320</u>	<u>1,924,810</u>	<u>\$ 3,679,130</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 178,625	(53,898)	\$ 124,727
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	604,650	614,961	1,219,611
Provision for compensated absences	16,582	4,531	21,113
Pension expense net of employer contributions	68,524	34,429	102,953
Other Post Employment Benefits	195	(1,293)	(1,098)
Change in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:			
(Increase) decrease in accounts receivable	6,733	2,993	9,726
(Increase) decrease in prepaid expenses	(2,030)	(494)	(2,524)
Increase (decrease) in accounts payable	120,580	15,076	135,656
Increase (decrease) in wages payable	(1,119)	2,270	1,151
TOTAL ADJUSTMENTS	<u>814,115</u>	<u>672,473</u>	<u>1,486,588</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 992,740</u>	<u>618,575</u>	<u>\$ 1,611,315</u>

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

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Town reports the following major governmental funds:

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

The Town reports the following major proprietary funds:

The *water operation fund* provides drinking water and maintains the facilities necessary to provide this service. Its primary revenue source is user charges and fees.

The *sewer operation fund* provides maintenance to the sewer lines and pump stations and derives the majority of its revenue through user charges and fees.

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

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

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

Budgeting and Budgetary Accounting

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

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

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

Encumbrances and Commitments

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

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deposits and Investments

Certificates of Deposit with maturities of three months or greater are recorded on Exhibit 1 under the title Cash and cash equivalents and treated as cash equivalents. No investments existed as of June 30, 2020.

Interfund Receivables and Payables

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

Capital Assets

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

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

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

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

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

Compensated Absences

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

Long-term Debt

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

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Long-term Obligations (Continued)

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

Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town has classified Prepaid Items as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. These amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council or through the Town Council delegating this responsibility to the Town manager through the budgetary process.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The Unassigned classification amounts are available for any purpose. Positive Unassigned amounts are reported in the General Fund only. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

Minimum Unassigned Fund Balance Policy

The Town does not maintain an unassigned fund balance policy.

Resource Flow Policy

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

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Estimates

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

Net Position

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

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

Deferred Outflows/Inflows of Resources

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

Employer pension and other postemployment benefit (OPEB) contributions made after the net pension liability and net OPEB liability measurement date of June 30, 2019 and prior to the reporting date of June 30, 2020, have been reported as deferred outflows of resources in the Statement of Net Position as of June 30, 2020. This will be applied to the net pension and OPEB liabilities in the next fiscal year.

Differences between the projected and actual pension earnings and OPEB earnings as of the actuarial measurement date of June 30, 2019 have been reported as a deferred outflow of resources. This difference will be recognized in pension expense and OPEB expense over a closed five-year period.

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

Pensions

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

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

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

Other Postemployment Benefits (OPEB)

Local Health

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

Line of Duty Act Program

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

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

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

2. **RECEIVABLES**

Receivables at June 30 are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Receivables		
Taxes	\$ 319,202	\$ -
Accounts	45,003	607,313
Other	79,435	-
	<u>443,640</u>	<u>607,313</u>
Gross Receivables		
Less:		
Allowance for uncollectibles	<u>(151,542)</u>	<u>(241,280)</u>
Net total receivables	<u>\$ 292,098</u>	<u>\$ 366,033</u>

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

2. RECEIVABLES (Continued)

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$392,822 at June 30, 2020, and is composed of the following:

General Fund:		
Allowance for uncollectible property taxes	\$	133,663
Allowance for uncollectible garbage fees		17,879
Total General Fund	\$	<u>151,542</u>
Water and Sewer Fund:		
Allowance for uncollectible water fee billings	\$	154,883
Allowance for uncollectible sewer fee billings		86,397
Total Water and Sewer Fund	\$	<u>241,280</u>

3. DEPOSITS AND INVESTMENTS

Deposits

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

Investments

Investment Policy:

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

Credit Risk:

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

Concentration of Credit Risk:

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

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

June 30, 2020

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, 2020, all of the Town's investments are held in a bank's trust department in the Town's name.

Fair Value Measurements:

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

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

Deposits and investments:

Cash on hand	\$ 600
Deposits	3,463,125
Certificates of deposit	2,146,673
	<u>\$ 5,610,398</u>

Statement of net position:

Cash and cash equivalents	\$ 4,140,580
Investments	-
Restricted cash and cash equivalents	1,469,818
	<u>\$ 5,610,398</u>

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

4. **PROPERTY TAXES RECEIVABLE**

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

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

5. DUE FROM OTHER GOVERNMENTAL UNITS

Commonwealth of Virginia:

Local sales tax	\$	60,264	
VDH	\$	60,768	
Communication tax		<u>26,006</u>	
Total Commonwealth of Virginia	\$		147,038

Wise County:

Coal severance taxes		6,308	
Court fines/transfer fees		<u>201</u>	
Total Wise County			<u>6,509</u>

Total Due From Other Governmental Units	\$	<u>153,547</u>
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6. INTERFUND OBLIGATIONS

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Water Fund	\$ 865,040	
Sewer Fund	193,851	
Water Fund:		
General Fund		865,040
Sewer Fund		1,556,435
Sewer Fund:		
General Fund		193,851
Water Fund	<u>1,556,435</u>	
Totals	<u>\$ 2,615,326</u>	<u>\$ 2,615,326</u>

7. CAPITAL ASSETS

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

Governmental activities:

General government	\$	77,866
Public safety		156,681
Public works		105,542
Parks, recreation, and cultural		<u>188,757</u>
Total depreciation expense - governmental activities	\$	<u>528,846</u>

Business-type activities:

Water and sewer	\$	1,219,611
Total depreciation expense - business-type activities	\$	<u>1,219,611</u>

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

8. CHANGES IN CAPITAL ASSETS

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, depreciable				
Buildings and improvements	\$ 3,830,528	\$ 3,906	\$ -	\$ 3,834,434
Infrastructure	8,119,593	34,913	-	8,154,506
Equipment	4,056,316	145,994	(71,675)	4,130,635
Total Capital Assets, Depreciable	<u>\$ 16,006,437</u>	<u>\$ 184,813</u>	<u>\$ (71,675)</u>	<u>\$ 16,119,575</u>
Less accumulated depreciation for				
Buildings and improvements	\$ 2,056,271	\$ 99,997	\$ -	\$ 2,156,268
Infrastructure	4,289,547	160,905	-	4,450,452
Equipment	2,773,892	267,944	(71,675)	2,970,161
Total accumulated depreciation	<u>9,119,710</u>	<u>528,846</u>	<u>(71,675)</u>	<u>9,576,881</u>
Total Capital Assets, depreciable, net	<u>\$ 6,886,727</u>	<u>\$ (344,033)</u>	<u>\$ -</u>	<u>\$ 6,542,694</u>
Capital assets, non-depreciable				
Land	\$ 2,620,893	\$ -	\$ -	\$ 2,620,893
Construction in progress	-	167,322	-	167,322
Total Capital Assets, Non-depreciable	<u>\$ 2,620,893</u>	<u>\$ 167,322</u>	<u>\$ -</u>	<u>\$ 2,788,215</u>
Business-Type Activities	Ending Balance	Increases	Decreases	Ending Balance
Capital assets, depreciable				
Buildings and improvements	\$ 337,615	\$ -	\$ -	\$ 337,615
Improvements	48,899,118	1,290,940	-	50,190,058
Equipment	1,772,552	118,355	-	1,890,907
Total Capital Assets, Depreciable	<u>\$ 51,009,285</u>	<u>\$ 1,409,295</u>	<u>\$ -</u>	<u>\$ 52,418,580</u>
Less accumulated depreciation for				
Buildings and improvements	\$ 229,377	\$ 3,653	\$ -	\$ 233,030
Improvements	23,905,068	1,120,014	-	25,025,082
Equipment	1,317,353	95,944	-	1,413,297
Total accumulated depreciation	<u>25,451,798</u>	<u>1,219,611</u>	<u>-</u>	<u>26,671,409</u>
Total Capital Assets, depreciable, net	<u>\$ 25,557,487</u>	<u>\$ 189,684</u>	<u>\$ -</u>	<u>\$ 25,747,171</u>
Capital assets, non-depreciable				
Land	\$ 880,000	\$ -	\$ -	\$ 880,000
Construction in progress	485,320	-	(340,995)	144,325
Total Capital Assets, Non-depreciable	<u>\$ 1,085,120</u>	<u>\$ -</u>	<u>\$ (340,995)</u>	<u>\$ 1,024,325</u>

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

9. LONG-TERM DEBT

The annual requirements to amortize governmental debt outstanding as of June 30, 2020, are as follows:

Governmental Activities		
Year Ending June 30,	Notes	
	Principal	Interest
2021	\$ 121,146	\$ 30,223
2022	78,787	26,471
2023	64,352	23,049
2024	58,933	20,449
2025	52,955	18,044
2026-2030	261,010	58,847
2031-2032	116,557	6,021
Totals	<u>\$ 753,740</u>	<u>\$ 183,104</u>

The annual requirements to amortize proprietary debt outstanding as of June 30, 2020, are as follows:

Years Ending June 30,	General Obligation Bonds		Revenue Bonds		Total Water Fund Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 75,922	\$ 17,181	\$ 298,129	\$ 253,909	\$ 374,051	\$ 271,090
2022	47,865	16,411	343,129	245,146	390,994	261,557
2023	48,324	15,932	352,129	234,466	400,453	250,398
2024	48,795	15,440	363,129	223,429	411,924	238,869
2025	49,279	14,936	373,129	212,023	422,408	226,959
2026-2030	254,114	66,626	2,207,646	867,913	2,461,760	934,539
2031-2035	268,299	51,665	2,645,646	484,833	2,913,945	536,498
2036-2040	254,590	35,013	1,175,065	81,813	1,429,655	116,826
2041-2045	124,618	15,954	-	16,762	124,618	32,716
2046-2050	60,962	3,729	-	11,979	60,962	15,708
2051-2055	58,732	-	-	6,728	58,732	6,728
2056-2060	40,411	-	-	1,314	40,411	1,314
Drawdown phase not due	-	-	198,520	-	198,520	-
Totals	<u>\$ 1,331,911</u>	<u>\$ 252,887</u>	<u>\$ 7,956,522</u>	<u>\$ 2,640,315</u>	<u>\$ 9,288,433</u>	<u>\$ 2,893,202</u>

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

9. LONG-TERM DEBT (Continued)

Years Ending June 30,	General Obligation Bonds		Revenue Bonds		Capital Lease	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 212,217	\$ 69	\$ 39,342	\$ 49,778	\$ 15,260	\$ 1,209
2022	205,721	-	39,342	49,778	16,096	790
2023	205,721	-	39,342	49,778	16,978	349
2024	205,721	-	39,342	49,778	5,245	16
2025	205,721	-	39,342	49,778	-	-
2026-2030	1,028,606	-	39,672	246,257	-	-
2031-2035	4,657	-	1,030,000	180,358	-	-
2036-2040	-	-	463,000	22,964	-	-
Totals	<u>\$ 2,068,364</u>	<u>\$ 69</u>	<u>\$ 1,729,382</u>	<u>\$ 698,469</u>	<u>\$ 53,579</u>	<u>\$ 2,364</u>

Years Ending June 30,	Total Sewer Fund Debt	
	Principal	Interest
2021	\$ 266,819	\$ 51,056
2022	261,159	50,568
2023	262,041	50,127
2024	250,308	49,794
2025	245,063	49,778
2026-2030	1,068,278	246,257
2031-2035	1,034,657	180,358
2036-2040	463,000	22,964
Totals	<u>\$ 3,851,325</u>	<u>\$ 700,902</u>

Changes in Long-Term Bonds/Loans:

The following is a summary of long-term bonds/loan transactions of the Town of Big Stone Gap for the year ended June 30, 2020:

	INSTALLMENT NOTE	GENERAL OBLIGATION & REVENUE BONDS		TOTAL
	Governmental Notes	Water Bond	Sewer Bond	
Bonds/loans payable at July 1, 2019	\$ 889,417	\$ 9,385,585	\$ 4,146,476	\$ 14,421,478
Issuances	-	254,629	-	254,629
Retirements	(135,677)	(351,781)	(295,151)	(782,609)
Bonds/loans payable at June 30, 2020	<u>\$ 753,740</u>	<u>\$ 9,288,433</u>	<u>\$ 3,851,325</u>	<u>\$ 13,893,498</u>

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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, 2020:

	Compensated Absences	
	Governmental	Business-Type
Payable at July 1, 2019	\$ 228,372	\$ 123,062
Additions	105,431	72,454
Reductions	(115,076)	(51,341)
Payable at June 30, 2020	<u>\$ 218,727</u>	<u>\$ 144,175</u>

Details of Long-Term Indebtedness

Governmental Fund:

Bonds Payable:

\$165,000 general obligation bond issued May 31, 2012, to Carl and Janet Gilliam with interest of 7.21%. Monthly installments of combined interest and principal payments of \$1,300 commencing July 1, 2012, and continuing monthly thereafter for a period of nineteen years and 9 months. Final payment of principal and interest due on March 1, 2032.

\$ 123,955

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

2,756

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

36,584

\$70,000 governmental fund note payable issued June 3, 2016, to Powell Valley National Bank with interest of 2.95% for the acquisition of a used fire truck. Annual payments of \$15,281.34 commencing June 3, 2018, and continuing annually thereafter for a period of four years.

14,812

\$130,000 governmental fund note payable issued June 27, 2016, to Powell Valley National Bank with interest of 2.95% for the acquisition of police vehicles. Monthly payments of \$2,335.51 commencing July 27, 2016, and continuing monthly thereafter for a period of four years.

27,528

\$80,000 governmental fund note payable issued August 29, 2016, to Powell Valley National Bank with interest of 2.85% for the acquisition of a garbage truck. Annual payments of \$17,464.40 commencing September 29, 2018, and continuing annually for a period of four years.

33,407

\$550,000 governmental fund note payable issued April 16, 2018, to Powell Valley National Bank with interest of 3.5% for the acquisition of a fire truck. Annual payments of \$47,931.18 commencing April 17, 2019, and continuing annually for a period of fifteen years.

461,883

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

9. LONG-TERM DEBT (Continued)

Details of Long-Term Indebtedness (Continued)

Governmental Fund (Continued):

Bonds Payable (Continued):

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

23,177

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

29,638

TOTAL GOVERNMENTAL FUND LONG-TERM DEBT

\$ 753,740

Enterprise Fund:

General Obligation Bonds:

Water

Sewer

\$1,556,000 general obligation refunding bond issued September 30, 2011, to Suntrust Bank, with interest at 2.12%, interest payable on each January 15 and July 15 commencing January 15, 2012. Commencing on July 15, 2012 and on each July 15 thereafter principal payments shall be made in installments. Final payment of principal and interest is due July 15, 2021.

\$ 28,504 \$ 6,496

\$93,191 general obligation sewer bond issued December 22, 2011 to Virginia Water Facilities Revolving Fund, with interest at 0%. Principal payments of \$2,329 payable November 1, 2012 and semi-annually thereafter for a period of 20 years.

-0- 51,252

\$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.

567,436 -0-

\$4,023,000 general obligation sewer bond issued December 17, 2008 to Virginia Water Facilities Revolving Fund with no interest. Principle payments of \$100,575 payable October 1, 2010, and semi-annually on April 1 and October 1 thereafter for a period of 20 years until paid.

-0- 2,010,616

\$363,937 general obligation and water revenue bond issued June 20, 2015, to VRA, with interest at 3.0%. Semi-annual payments of principal and interest on Jan. 1 and July 1 beginning Jan 1, 2015, and thereafter payable in installments of combined interest and principal of \$9,389. Final payment is due January 1, 2044.

307,879 -0-

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

71,028 -0-

Water revenue bonds issued December 19, 2016, \$304,890.57 disbursed as of June 30, 2019 to Rural Development, with interest at 1.875% paid in semiannual installments.

357,064 -0-

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

9. LONG-TERM DEBT (Continued)

Details of Long-Term Indebtedness

Enterprise Fund:	<u>Water</u>	<u>Sewer</u>
Revenue Bonds:		
\$3,432,000 water revenue bond issued in 2018 to Powell Valley National Bank with interest at 3.2%. Final payment is due 2037.	3,331,000	-0-
\$1,293,000 water revenue bond issued in 2018 to Powell Valley National Bank with interest at 3.15%. Final payment is due 2037.	1,191,000	-0-
\$4,224,000 water revenue bond issued in 2018 to Powell Valley National Bank with interest at 3.29%. Final payment is due 2037.	2,645,000	1,513,000
\$1,148,460 water revenue bonds issued June 16, 2005 to Virginia Resource Authority, with interest at 0% payable in installments of \$19,141 beginning July 1, 2006 and continuing semi-annually on January 1 and July 1 thereafter for a period of 30 years until paid.	591,002	-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-	216,382
\$241,700 water revenue bonds issued in 2019 to Virginia Resource Authority, with interest at 2.30% payable in installments for a period of 30 years until paid. Currently in drawdown phase and not yet due.	198,520	-0-
Capital Leases:		
\$77,400 capital lease for backhoe loaders with Carter Machinery. Sixty monthly payments of \$1,473.06 from September 25, 2018.	-0-	53,579
TOTAL ENTERPRISE FUNDS LONG-TERM DEBT	<u>\$ 9,288,433</u>	<u>\$3,851,325</u>

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

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

10. FUND BALANCES—GOVERNMENTAL FUNDS

As of June 30, 2020, fund balances are composed of the following:

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:		
Prepaid items	\$ 44,276	\$ 44,276
Due from internal funds	1,058,891	1,058,891
Restricted:		
Law Enforcement	330,862	330,862
Glencoe Cemetery	24,853	24,853
Community Development	44,126	44,126
Committed:		
Law Enforcement	31,065	31,065
Fire Department	63,300	63,300
Public Works	62,179	62,179
Parks and Recreation	19,620	19,620
Cemeteries	13,894	13,894
Assigned:		
Law Enforcement	33,942	33,942
Fire Department	15,396	15,396
Public Works	5,706	5,706
Greenbelt	132,553	132,553
Unassigned	795,939	795,939
Total fund balances	<u>\$ 2,676,602</u>	<u>\$ 2,676,602</u>

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

June 30, 2020

11. CLAIMS, JUDGEMENTS, AND COMPENSATED ABSENCES

PRIMARY GOVERNMENT

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

Town employees earn general leave according to the following schedule:

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

Accumulated general leave is paid upon termination according to the following schedule:

- (1) Beginning July 1, 2018, a permanent employee who is separated from the Town service shall be given full pay for his/her accumulated annual leave up to a maximum thirty (30) work days. If an employee dies while in Town service, such terminal leave shall be paid to his/her estate. No terminal leave pay will be paid to persons that are terminated for disciplinary reasons. The accumulated leave maximum of thirty (30) work days reflects a policy change from the prior maximum of ninety (90) work days. At the time of the policy change implementing the maximum leave, the Town agreed that leave in excess of the maximum would be banked and payable upon separation of employment as described above; however, those employees would not accrue additional hours above the new maximum limit.

The Town has outstanding accrued general leave pay totaling \$18,727 in the Governmental Activities, and \$144,175 in the Water and Sewer Funds.

12. DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

12. Defined Benefit Pension Plan (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013 and they have not taken a refund. Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were	Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. *Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

12. Defined Benefit Pension Plan (Continued)

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

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

12. Defined Benefit Pension Plan (Continued)

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

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

12. Defined Benefit Pension Plan (Continued)

has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.		employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.	Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%	Sheriffs and regional jail superintendents: Same as Plan 1.	Sheriffs and regional jail superintendents: Not applicable.
Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Political subdivision hazardous duty employees: Same as Plan 1.	Political subdivision hazardous duty employees: Not applicable.
Normal Retirement Age VRS: Age 65. Political subdivisions hazardous duty employees: Age 60.	Normal Retirement Age VRS: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.	Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

12. Defined Benefit Pension Plan (Continued)

Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit. Political subdivisions hazardous duty employees: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equals 90. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service equals 90. Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit. Political subdivisions hazardous duty employees: 50 with at least five years of service credit.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Reduced Retirement Eligibility Defined Benefit Component: VRS: Age 60 with at least five years (60 months) of service credit. Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. Eligibility: Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Not applicable. Eligibility: Same as Plan 1 and Plan 2.

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

12. Defined Benefit Pension Plan (Continued)

<u>Exceptions to COLA Effective Dates:</u>	<u>Exceptions to COLA Effective Dates:</u>	<u>Exceptions to COLA Effective Dates:</u>
The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	Same as Plan 1.	Same as Plan 1 and Plan 2.
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exception: • Hybrid Retirement Plan members are ineligible for ported service.

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

12. Defined Benefit Pension Plan (Continued)

credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.		<u>Defined Contribution Component:</u> Not applicable.
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TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

12. DEFINED BENEFIT PENSION PLAN (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>66</u>
Inactive members:	
Vested inactive members	5
Non-vested Inactive members	23
Inactive members active elsewhere in VRS	<u>28</u>
Total inactive members	56
Active members	<u>54</u>
Total covered employees	<u><u>176</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Town's contractually required contribution rate for the year ended June 30, 2020 was 17.01% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$320,541 and \$325,188 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

12. DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town's retirement plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

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

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

12. DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety Employees with Hazardous Duty Benefits in the Town's retirement plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

12. DEFINED BENEFIT PENSION PLAN (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi - Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
	<u>100.00%</u>		<u>5.13%</u>
	Inflation		<u>2.50%</u>
	* Expected arithmetic nominal return		<u>7.63%</u>

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that system member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

12. DEFINED BENEFIT PENSION PLAN (Continued)

Changes in Net Pension Liability

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at June 30, 2018	\$ 13,115,413	\$ 10,379,243	\$ 2,736,170
Changes for the year:			
Service cost	198,923		198,923
Interest	883,223		883,223
Changes in benefit terms	-		-
Changes of assumptions	356,731		356,731
Difference between expected and actual experience	(6,860)		(6,860)
Contributions - employer	-	313,325	(313,325)
Contributions - employee	-	89,661	(89,661)
Net investment income	-	667,434	(667,434)
Benefit payments, including refunds of employee contributions	(995,897)	(995,897)	-
Administrative expense	-	(7,073)	7,073
Other changes	-	(417)	417
Net changes	436,120	67,033	369,087
Balances at June 30, 2019	<u>\$ 13,551,533</u>	<u>\$ 10,446,276</u>	<u>\$ 3,105,257</u>

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

The following presents the net pension liability of the Town using the discount rate of 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<u>1.00% Decrease 5.75%</u>	<u>Current Discount 6.75%</u>	<u>1.00% Increase 7.75%</u>
Net Pension Liability	<u>\$ 4,726,816</u>	<u>\$ 3,105,257</u>	<u>\$ 1,809,171</u>

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

12. DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended June 30, 2020, the Town recognized pension expense of \$179,845. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 14,294
Change in assumptions	211,127	-
Net difference between projected and actual earnings on pension plan investments	-	88,928
Employer contributions subsequent to the measurement date	320,541	-
Total	<u>\$ 531,668</u>	<u>\$ 103,222</u>

\$320,541 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30

2020	\$ 135,289
2021	(33,648)
2022	(1,355)
2023	7,619
2024	-
Thereafter	-
	<u>\$ 107,905</u>

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan's is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Pension Plan

At June 30, 2020, the Town reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

Plan Description

The Town provides post-employment medical coverage for retired employees through a single employer defined benefit plan. The Town may change, add, or delete coverage as they deem appropriate and with the approval of the Town Council. The plan does not grant retirees vested health benefits. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

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

Employees Covered by Benefit Terms

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

	<u>Number</u>
Active members	53
Retired members	<u>6</u>
Total covered employees	<u>59</u>

Total OPEB Liability

The Town's Total OPEB Liability of \$722,309 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019 under the Alternative Measurement Method.

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

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.00 percent per year
Discount rate	2.21 percent per year
Healthcare cost trend rates	4.60 percent in year 1, 4.70 percent in year 2, 4.80 percent in year 3 to 6, 4.70 percent thereafter
Retirees' share of benefit-Related costs	100% of projected health insurance premiums for retirees

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

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

Mortality rates:

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

Changes in Total OPEB Liability

	Total OPEB Liability
Balances at June 30, 2019	\$ 763,025
Changes for the year:	
Service cost	38,950
Interest	26,786
Effect of plan changes	(133,574)
Changes of assumptions	78,698
Difference between expected and actual experience	-
Benefit payments, including refunds of employee contributions	(51,576)
Net changes	(40,716)
Balances at June 30, 2020	\$ 722,309

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

The following presents the total pension liability of the Town using the discount rate of 2.21%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

	1.00% Decrease	Current Discount	1.00% Increase
Total OPEB Liability	\$ 797,972	\$ 722,309	\$ 657,712

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

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

	1.00 % Decrease in Trend Rate	Current Trend Rate	1.00% Increase in Trend Rate
Total OPEB Liability	\$ 645,299	\$ 722,309	\$ 813,977

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$(10,860). The Town's OPEB plan does not have assets in a trust, therefore, per GASB 75 Paragraph 43 (a) and (b), deferred inflows/outflows are \$0 at June 30, 2020.

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

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

Line of Duty Act Program

Plan Description

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

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

Contributions

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

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

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

The net OPEB liabilities were measured as of June 30, 2019 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities, LODA proportion was determined based on pay-as-you-go employer contributions instead of actuarially determined contributions.

June 30, 2020 proportionate share of liability	\$ 226,394
June 30, 2019 proportion	0.07991 %
June 30, 2020 proportion	0.06310 %
June 30, 2020 expense	\$ 13,275

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

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

At June 30, 2020, the Town of Big Stone Gap reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 32,906	\$ -
Difference between projected and actual earnings	-	448
Changes in proportionate share	13,852	56,796
Changes in assumptions or other inputs	10,623	19,626
Employer contributions subsequent to the measurement date	8,469	-
Total	<u>\$ 65,850</u>	<u>\$ 76,870</u>

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

The \$8,469 of deferred outflows of resources related to OPEB resulting from the Town of Big Stone Gap's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	<u>Increase (Reduction) to OPEB Expense</u>
2020	\$ (2,535)
2021	(2,534)
2022	(2,464)
2023	(2,391)
2024	(2,369)
Thereafter	(7,196)
	<u>\$ (19,489)</u>

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

Actuarial Assumptions and Other Inputs

Inflation	2.5%
Salary increases, including inflation:	
• Locality- general employees	N/A
• Locality – hazardous duty employees	N/A
Healthcare cost trend rates:	
• Under age 65	7.25 – 4.75%
• Ages 65 and older	5.50 – 4.75%
Investment rate of return, net of expenses, including inflation*	3.50%

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

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

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

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Line of Duty Act Program
Total OPEB Liability	\$ 361,626
Plan fiduciary net position	2,839
Employers' net OPEB liability (asset)	\$ 358,787
Plan fiduciary net position as a percentage of total OPEB liability	0.79%

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the LODA Program's investments was set at 3.50% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS pooled investments 6.75% assumption noted above. Instead, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return. The Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2019.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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

The following presents the net OPEB liabilities of the Town of Big Stone Gap, as well as what the Town's net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (2.50% LODA) or one percentage point higher (4.50% LODA) than the current discount rate:

	<u>1.00% Decrease</u>	<u>Current Discount</u>	<u>1.00% Increase</u>
Net LODA OPEB Liability	\$ 262,633	\$ 226,394	\$ 197,731

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

Because the Line of Duty Act Program (LODA) contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the LODA net OPEB liability of the Town of Big Stone Gap using health care trend rate of 7.75% decreasing to 4.75%, as well as what the Town's LODA net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.75% decreasing to 3.75%) or one percentage point higher (8.75% decreasing to 5.75%) than the current healthcare cost trend rates:

	<u>1.00% Decrease</u>	<u>Current Trend</u>	<u>1.00% Increase</u>
Net LODA OPEB Liability	\$ 191,414	\$ 226,394	\$ 270,508

OPEB Plan Fiduciary Net Position

Information about the VRS OPEB plan fiduciary net position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

15. SUMMARY OF PENSION AND OTHER POSTEMPLOYMENT BENEFIT ELEMENTS

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

	Governmental Activities	Business-Type Activities	Total Primary Government
Deferred outflows of resources - Related to Pensions			
Deferred outflow-Differences in expected/actual and assumptions			
VRS-Defined Benefit Pension Plan	\$ 140,172	\$ 70,955	\$ 211,127
Deferred outflow-Contributions after the measurement date			
VRS-Defined Benefit Pension Plan	215,734	104,807	320,541
Total deferred outflow of resources - Pensions	<u>\$ 355,906</u>	<u>\$ 175,762</u>	<u>\$ 531,668</u>
Deferred outflows of resources - OPEB			
Deferred outflow-Differences in expected/actual and assumptions			
VRS-LODA-OPEB Proram	\$ 57,381	\$ -	\$ 57,381
Deferred outflow-Contributions after the measurement date			
VRS-LODA-OPEB Proram	8,469	-	8,469
Total deferred outflow of resources - OPEB	<u>\$ 65,850</u>	<u>\$ -</u>	<u>\$ 65,850</u>
Net pension liability			
VRS-Defined Benefit Pension Plan	\$ 2,061,671	\$ 1,043,586	\$ 3,105,257
Total net pension liability	<u>\$ 2,061,671</u>	<u>\$ 1,043,586</u>	<u>\$ 3,105,257</u>
Net OPEB liability			
Local Health	\$ 479,562	\$ 242,747	\$ 722,309
VRS-LODA	226,394	-	226,394
Total net OPEB liability	<u>\$ 705,956</u>	<u>\$ 242,747</u>	<u>\$ 948,703</u>
Deferred inflows of resources - Related to Pensions			
Deferred inflow-Differences in expected/ actual and assumptions			
VRS-Defined Benefit Pension Plan	\$ 68,532	\$ 34,690	\$ 103,222
Total deferred inflow of resources - Pensions	<u>\$ 68,532</u>	<u>\$ 34,690</u>	<u>\$ 103,222</u>
Deferred inflows of resources - OPEB			
Deferred inflows-Differences in expected/actual and assumption			
VRS-LODA-Cost Sharing-Multiple-Employer	\$ 76,870	\$ -	\$ 76,870
Total deferred inflow of resources - OPEB	<u>\$ 76,870</u>	<u>\$ -</u>	<u>\$ 76,870</u>

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

16. DEFERRED PROPERTY TAX REVENUE

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$186,315 is comprised of the following:

Deferred Property Tax Revenue:

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$186,315 at June 30, 2020.

17. COMMITMENTS AND CONTINGENCIES

Litigation

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

18. RISK MANAGEMENT

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

19. ENCUMBRANCES OUTSTANDING

Outstanding encumbrances of the proprietary fund types are not reflected in the accompanying financial statements as a reservation of retained earnings, in keeping with the fund type's measurement focus. However, Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund. At June 30, 2020, 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	\$ -	\$ -	\$ 156,215
General Fund for Other Purposes	-	-	-
Total Encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,215</u>

20. DEFICIT UNRESTRICTED NET POSITION

The Governmental Activities of the Primary Government has a deficit unrestricted net position of \$223,728; however, when considering the net investment in capital assets, while excluding restricted amounts, it has a positive overall net position of \$8,353,441. The Water Fund has a deficit unrestricted net position of \$1,644,129 at June 30, 2020; however when considering the net investment in capital assets, while excluding restricted amounts, it has a positive overall net position of \$7,123,611.

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

21. SUBSEQUENT EVENTS

The Town has accepted a funding package from VDH for the Route 610 and Shelby Ave Phase II Waterline Replacement Project that consist of \$528,600 Principal Forgiveness and \$241,700 loan proceeds at 2.30% interest for 30 years from the Virginia Resource Authority. Funding package closed December 2019. At June 30, 2020 the funding package has not been fully drawn.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Town's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, supplier, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Town is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

22. FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* due to the COVID-19 pandemic.

The GASB issued Statement No. 84, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2019.

In June 2017, The GASB issued Statement No. 87, *Leases*. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

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

The GASB issued Statement No. 91, *Conduit Debt Obligations* in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

In January 2020, the GASB issued Statement No. 92, *Omnibus*. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

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

TOWN OF BIG STONE GAP, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2020

EXHIBIT 10

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
General property taxes	\$ 1,082,900	\$ 1,093,900	\$ 1,020,963	\$ (72,937)
Other local taxes	1,815,800	1,815,800	1,685,552	(130,248)
Permits, privilege fees and regulatory licenses	5,450	5,450	1,028	(4,422)
Fines and forfeitures	10,000	10,000	10,642	642
Revenue from use of money and property	32,150	32,150	26,181	(5,969)
Charges for services	488,334	551,534	530,372	(21,162)
Miscellaneous	40,000	40,000	28,460	(11,540)
Recovered costs	130,150	140,050	139,834	(216)
Intergovernmental	1,953,584	2,325,297	1,454,854	(870,443)
Total Revenues	<u>5,558,368</u>	<u>6,014,181</u>	<u>4,897,886</u>	<u>(1,116,295)</u>
EXPENDITURES:				
General government administration	979,698	1,015,098	905,550	109,548
Public safety	1,540,386	1,655,756	1,517,836	137,920
Public works	1,384,800	1,425,400	1,380,057	45,343
Health and welfare	2,500	2,500	31,123	(28,623)
Parks, recreation and cultural	1,751,084	1,785,884	881,679	904,205
Community development	80,000	378,063	102,616	275,447
Debt Service	124,900	124,900	170,053	(45,153)
Total Expenditures	<u>5,863,368</u>	<u>6,387,601</u>	<u>4,988,914</u>	<u>1,398,687</u>
OTHER FINANCING SOURCES (USES):				
Sale of property	5,000	5,000	4,381	(619)
Insurance recoveries	-	20,100	20,103	3
Loan proceeds	-	-	-	-
Transfers in (out)	300,000	300,000	-	(300,000)
Prior Year Surplus	-	48,320	-	(48,320)
Total Other Financing Sources (Uses)	<u>305,000</u>	<u>373,420</u>	<u>24,484</u>	<u>(348,936)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (66,544)</u>	<u>\$ (66,544)</u>

TOWN OF BIG STONE GAP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (unaudited)
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
June 30, 2020

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 198,923	\$ 204,457	\$ 240,718	\$ 238,286	\$ 233,077	\$ 216,422
Interest	883,223	873,161	837,453	810,200	782,716	763,442
Changes of benefit terms	-	-	251,585	-	-	-
Differences between expected and actual experience	(6,860)	(35,500)	17,544	186,519	153,591	-
Changes in assumptions	356,731	-	24,294	-	-	-
Benefit payments, including refunds of employee contributions	(995,897)	(800,863)	(922,095)	(769,268)	(784,241)	(624,795)
Net change in total pension liability	436,120	241,255	449,499	465,737	385,143	355,069
Total pension liability - beginning	13,115,413	12,874,158	12,424,659	11,958,922	11,573,779	11,218,710
Total pension liability - ending	\$ 13,551,533	\$ 13,115,413	\$ 12,874,158	\$ 12,424,659	\$ 11,958,922	\$ 11,573,779
Plan fiduciary net position						
Contributions - employer	\$ 313,325	\$ 331,565	\$ 313,404	\$ 285,769	\$ 309,292	\$ 259,446
Contributions - employee	89,661	91,172	86,454	88,684	97,469	96,016
Net investment income	667,434	733,562	1,124,759	160,213	435,518	1,335,250
Benefit payments, including refunds of employee contributions	(995,897)	(800,863)	(922,095)	(769,268)	(784,241)	(624,795)
Administrative expense	(7,073)	(6,516)	(6,889)	(6,136)	(6,239)	(7,355)
Other	(417)	(644)	(980)	(69)	(89)	71
Net change in total pension liability	67,033	348,276	594,653	(240,807)	51,710	1,058,633
Total pension liability - beginning	10,379,243	10,030,967	9,436,314	9,677,121	9,625,411	8,566,778
Total pension liability - ending	\$ 10,446,276	\$ 10,379,243	\$ 10,030,967	\$ 9,436,314	\$ 9,677,121	\$ 9,625,411
Political subdivision's net pension liability - ending	\$ 3,105,257	\$ 2,736,170	\$ 2,843,191	\$ 2,988,345	\$ 2,281,801	\$ 1,948,368
Plan fiduciary net position as a percentage of the total pension liability	77.09%	79.14%	77.92%	75.95%	80.92%	83.17%
Covered - employee payroll	\$ 1,974,058	\$ 1,864,158	\$ 1,862,888	\$ 1,867,213	\$ 1,846,434	\$ 1,932,503
Political subdivision's net pension liability as a percentage of covered-employee payroll	157.30%	146.78%	152.62%	160.04%	123.58%	100.82%

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

TOWN OF BIG STONE GAP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS (unaudited)
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
June 30, 2020

Date	Contributions			Contributions	
	Contractually Required Contribution	Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	as a % of Covered Employee Payroll
2020	\$ 320,541	320,541	-	\$ 1,975,431	16.23%
2019	325,188	325,188	-	1,974,058	16.47%
2018	336,622	336,622	-	1,864,158	18.06%
2017	317,529	317,529	-	1,862,888	17.04%
2016	374,037	374,037	-	1,867,213	20.03%
2015	310,210	310,210	-	1,846,434	16.80%
2014	259,244	259,244	-	1,905,130	13.61%
2013	248,864	248,864	-	1,765,899	14.09%
2012	240,927	240,927	-	1,763,846	13.66%
2011	239,185	239,185	-	1,828,205	13.08%

TOWN OF BIG STONE GAP, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS (unaudited)
June 30, 2020

	2020	2019	2018
<i>Local Plan</i>			
Total OPEB liability			
Service cost	\$ 38,950	\$ 160,493	\$ 123,525
Interest	26,786	102,396	132,882
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(133,574)	(1,947,247)	(213,601)
Changes in assumptions	78,698	24,564	(3,129)
Benefit payments, including refunds of employee contributions	(51,576)	(57,102)	(62,580)
Net change in total OPEB liability	(40,716)	(1,716,896)	(22,903)
Total OPEB liability - beginning	763,025	2,479,921	2,502,824
Total OPEB liability - ending	<u>\$ 722,309</u>	<u>\$ 763,025</u>	<u>\$ 2,479,921</u>
 Covered - employee payroll	 \$ 1,999,872	 \$ 1,985,346	 \$ 1,872,398
 Total OPEB liability as a percentage of covered-employee payroll	 36.12%	 38.43%	 132.45%

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

Notes to Schedule:

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

2020	2.210%
2019	3.490%
2018	3.920%
2017	5.000%

TOWN OF BIG STONE GAP, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY (unaudited)
June 30, 2020

*	Employer's	Employer's		Employer's	Plan
Fiscal	Portion	Proportionate		Proportionate Share	Fiduciary
Year	of the	Share of the	Employer's	of the Net OPEB	Net Position
Ended	Net OPEB	Net OPEB	Covered	Liability (Asset)	as a % of the
30-Jun	Liability (Asset)	Liability (Asset)	Payroll	as % of its	Total
				Covered Payroll	OPEB Liability
VRS- Line of Duty Act (LODA)					
2020	0.06310%	\$ 226,394	\$ 627,600	36.07%	0.79%
2019	0.07991%	250,000	627,240	39.86%	0.60%
2018	0.07365%	193,000	585,829	32.94%	1.30%

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

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

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

TOWN OF BIG STONE GAP, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS (unaudited)
June 30, 2020

Fiscal Year	Contributions Related to			Contributions	
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	as a % of Covered Employee Payroll
VRS- Line of Duty Act					
2020	\$ 8,469	\$ 8,469	\$ -	\$ 645,144	1.31%
2019	8,469	8,469	-	627,600	1.35%
2018	8,511	8,511	-	627,240	1.36%
2017	7,943	7,943	-	585,829	1.36%
2016	7,783	7,783	-	595,974	1.31%
2015	7,264	7,264	-	630,525	1.15%
2014	7,308	7,308	-	643,022	1.14%
2013	7,112	7,112	-	611,179	1.16%
2012	3,508	3,508	-	619,055	0.57%

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

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

TOWN OF BIG STONE GAP, VIRGINIA
Notes to Required Supplementary Information (unaudited)
June 30, 2020

Note 1. Change of benefit terms

Pension

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

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of assumptions - The actuarial assumptions used in the June 30, 2018, valuation were based on results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 -- Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%
Applicable to:	Pension, GLI OPEB

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%
Applicable to:	Pension, GLI OPEB

Largest 10 -- Hazardous Duty/Public Safety Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 60% to 70%
Discount Rate	Decrease rate from 7.00% to 6.75%
Applicable to:	Pension, GLI OPEB, and LODA OPEB

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to more current mortality table--RP 2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%
Applicable to:	Pension, GLI OPEB, and LODA OPEB

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND REVENUES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2020

SCHEDULE 1
Page 1

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>PRIMARY GOVERNMENT</u>				
GENERAL FUND:				
Revenue from Local Sources:				
General Property Taxes:				
Real property taxes	\$ 820,000	\$ 820,000	\$ 773,319	\$ (46,681)
Real and personal public service corporation property taxes	43,000	54,000	54,062	62
Personal property taxes	174,500	174,500	164,855	(9,645)
Machinery and tools taxes	1,000	1,000	48	(952)
Penalties and interest	44,400	44,400	28,679	(15,721)
Total General Property Taxes	<u>1,082,900</u>	<u>1,093,900</u>	<u>1,020,963</u>	<u>(72,937)</u>
Other Local Taxes:				
Local sales and use taxes	210,000	210,000	212,558	2,558
Cigarette taxes	52,000	52,000	46,687	(5,313)
Utility taxes	112,000	112,000	110,989	(1,011)
Business licenses taxes	336,800	336,800	241,834	(94,966)
Communication taxes	180,000	180,000	158,499	(21,501)
Motor vehicle licenses	60,000	60,000	63,501	3,501
Bank stock taxes	120,000	120,000	81,915	(38,085)
Hotel and motel room taxes	5,000	5,000	3,806	(1,194)
Restaurant food taxes	710,000	710,000	735,202	25,202
Coal road improvement taxes	30,000	30,000	30,561	561
Total Other Local Taxes	<u>1,815,800</u>	<u>1,815,800</u>	<u>1,685,552</u>	<u>(130,248)</u>
Permits, Privilege Fees, And Regulatory Licenses	<u>5,450</u>	<u>5,450</u>	<u>1,028</u>	<u>(4,422)</u>
Fines and Forfeitures	<u>10,000</u>	<u>10,000</u>	<u>10,642</u>	<u>642</u>
Revenue From Use Of Money and Property:				
Revenue from use of money	11,600	11,600	6,970	(4,630)
Revenue from use of property	20,550	20,550	19,211	(1,339)
Total Revenue From Use of Money and Property	<u>32,150</u>	<u>32,150</u>	<u>26,181</u>	<u>(5,969)</u>
Charges For Services:				
Fire services	3,000	3,000	1,750	(1,250)
Security	2,500	7,500	7,898	398
Charges for sanitation and waste removal	310,000	310,000	304,492	(5,508)
Charges for parks and recreation	57,800	113,300	104,976	(8,324)
Cemetery plots and materials	40,000	42,700	28,809	(13,891)
Police Restitution	75,034	75,034	82,447	7,413
Total Charges For Services	<u>488,334</u>	<u>551,534</u>	<u>530,372</u>	<u>(21,162)</u>
Miscellaneous Revenue	<u>40,000</u>	<u>40,000</u>	<u>28,460</u>	<u>(11,540)</u>
Recovered Costs	<u>130,150</u>	<u>140,050</u>	<u>139,834</u>	<u>(216)</u>
Total Revenue From Local Sources	<u>\$ 3,604,784</u>	<u>\$ 3,688,884</u>	<u>\$ 3,443,032</u>	<u>\$ (245,852)</u>

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

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND REVENUES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2020

SCHEDULE 1
Page 2

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue From The Commonwealth:				
Non-Categorical Aid:				
Motor vehicle carriers' taxes	\$ 3,000	\$ 3,000	\$ 3,497	\$ 497
Mobile home titling taxes	5,000	5,000	4,831	(169)
Rolling stock taxes	12,000	12,000	8,732	(3,268)
Coal haul road revenue	50,000	50,000	50,000	-
Assistance to localities with police departments	148,700	148,700	154,464	5,764
Total Non-Categorical Aid	<u>218,700</u>	<u>218,700</u>	<u>221,524</u>	<u>2,824</u>
Other Categorical Aid:				
Street and highway maintenance	917,000	917,000	917,699	699
Litter control	3,000	3,000	2,307	(693)
Financial assistance to the arts	4,500	4,500	4,500	-
DMV grants	-	18,452	8,210	(10,242)
DCJS grants	-	2,173	1,781	(392)
CDBG-IRF Grant	-	40,800	40,829	29
VA TRRC Grant	-	250,263	-	(250,263)
Fire programs fund	18,000	28,250	30,697	2,447
VDOT Greenbelt	554,908	554,908	-	(554,908)
Total Other Categorical Aid	<u>1,497,408</u>	<u>1,819,346</u>	<u>1,006,023</u>	<u>(813,323)</u>
Total Revenue From The Commonwealth	<u>1,716,108</u>	<u>2,038,046</u>	<u>1,227,547</u>	<u>(810,499)</u>
Revenue From The Federal Government:				
Payment In Lieu of Taxes:				
Payment in lieu of property taxes	43,400	43,400	43,800	400
Total Payment in Lieu of Taxes	<u>43,400</u>	<u>43,400</u>	<u>43,800</u>	<u>400</u>
Categorical Aid:				
HIDTA Grant	114,076	149,451	130,271	(19,180)
Appalachian Regional Commission Grant	-	14,400	14,477	77
Rural Development grants	-	-	-	-
CDBG Grant	80,000	80,000	38,759	(41,241)
Total Categorical Aid	<u>194,076</u>	<u>243,851</u>	<u>183,507</u>	<u>(60,344)</u>
Total Revenue From The Federal Government	<u>237,476</u>	<u>287,251</u>	<u>227,307</u>	<u>(59,944)</u>
Prior Years Surplus	<u>-</u>	<u>48,320</u>	<u>-</u>	<u>(48,320)</u>
TOTAL GENERAL FUND	<u>5,558,368</u>	<u>6,062,501</u>	<u>4,897,886</u>	<u>(1,164,615)</u>
GRAND TOTALS - REVENUES - PRIMARY GOVERNMENT FUNDS	<u>\$ 5,558,368</u>	<u>\$ 6,062,501</u>	<u>\$ 4,897,886</u>	<u>\$ (1,164,615)</u>

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

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2020

SCHEDULE 2
Page 1

	Original Budget	Budget as Amended	Actual	Variance with Final Budget Positive (Negative)
PRIMARY GOVERNMENT				
GENERAL FUND:				
General Government Administration:				
Legislative:				
Town Council	\$ 38,300	\$ 38,300	\$ 30,266	\$ 8,034
Mayor	6,100	6,100	3,546	2,554
Total Legislative	44,400	44,400	33,812	10,588
General and Financial Administration:				
Town Manager	224,300	227,900	200,604	27,296
Legal and consulting	35,000	35,000	14,934	20,066
Independent auditor	21,000	21,000	18,900	2,100
Treasurer/Clerk	295,298	315,273	277,355	37,918
Accounting	63,700	63,700	61,050	2,650
Risk management	104,900	104,900	103,660	1,240
Automotive/motor pool	118,600	129,700	124,903	4,797
Data processing	72,500	73,225	70,332	2,893
Total General and Financial Administration	935,298	970,698	871,738	98,960
Total General Government Administration	979,698	1,015,098	905,550	109,548
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	1,195,100	1,257,288	1,151,948	105,340
Drug task force	190,626	233,758	217,195	16,563
Total Law Enforcement and Traffic Control	1,385,726	1,491,046	1,369,143	121,903
Fire and Rescue Services:				
Volunteer fire department	135,200	141,550	127,011	14,539
Total Fire and Rescue Services	135,200	141,550	127,011	14,539
Inspections:				
Building	19,460	23,160	21,682	1,478
Total Inspections	19,460	23,160	21,682	1,478
Total Public Safety	1,540,386	1,655,756	1,517,836	137,920
Public Works:				
Maintenance of Highways, Streets, Bridges and Sidewalks:				
Highways, streets, bridges, and sidewalks	786,900	854,350	841,286	13,064
Storm drainage	45,000	35,000	41,516	(6,516)
Street lights	96,500	96,500	110,379	(13,879)
Snow and ice removal	29,000	29,000	12,868	16,132
Curbs and guttering	50,000	50,000	30,560	19,440
Total Maintenance of Highways, Streets, Bridges, and Sidewalks	1,007,400	1,064,850	1,036,609	28,241

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2020

SCHEDULE 2
Page 2

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Sanitation and Waste Removal:				
Refuse collection	\$ 258,000	\$ 241,150	\$ 204,810	\$ 36,340
Total Sanitation and Waste Removal	<u>258,000</u>	<u>241,150</u>	<u>204,810</u>	<u>36,340</u>
 Maintenance of General Buildings and Grounds:				
General properties	<u>119,400</u>	<u>119,400</u>	<u>138,638</u>	<u>(19,238)</u>
Total Public Works	<u>1,384,800</u>	<u>1,425,400</u>	<u>1,380,057</u>	<u>45,343</u>
 Health and Welfare:				
Area agency on aging	2,500	2,500	-	2,500
Property tax relief for elderly	-	-	31,123	(31,123)
Total Welfare/Social Services	<u>2,500</u>	<u>2,500</u>	<u>31,123</u>	<u>(28,623)</u>
Total Health and Welfare	<u>2,500</u>	<u>2,500</u>	<u>31,123</u>	<u>(28,623)</u>
 Parks, Recreation and Cultural:				
Administration	811,350	828,150	672,275	155,875
Green Belt Trail	693,634	693,634	33,168	660,466
Maintenance	20,000	34,000	28,447	5,553
Swimming pool	65,600	65,600	15,816	49,784
Cemeteries	126,000	130,000	102,523	27,477
Farmers Market	-	-	-	-
Total Parks and Recreation	<u>1,716,584</u>	<u>1,751,384</u>	<u>852,229</u>	<u>899,155</u>
 Cultural Enrichment:				
Pro-Art	4,000	4,000	4,000	-
Lonesome Pine Arts and Crafts	4,000	4,000	4,000	-
Miscellaneous	24,000	24,000	18,950	5,050
Total Cultural Enrichment	<u>32,000</u>	<u>32,000</u>	<u>26,950</u>	<u>5,050</u>
 Library:				
Payments to regional library	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>-</u>
Total Parks, Recreation and Cultural	<u>1,751,084</u>	<u>1,785,884</u>	<u>881,679</u>	<u>904,205</u>
 Community Development:				
Community development	<u>80,000</u>	<u>378,063</u>	<u>102,616</u>	<u>275,447</u>
Total Planning and Community Development	<u>80,000</u>	<u>378,063</u>	<u>102,616</u>	<u>275,447</u>
Total Community Development	<u>80,000</u>	<u>378,063</u>	<u>102,616</u>	<u>275,447</u>

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2020

SCHEDULE 2
Page 3

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Debt Service:				
Principal retirement	\$ 124,900	\$ 124,900	\$ 135,677	\$ (10,777)
Interest	-	-	34,376	(34,376)
Total Debt Service	<u>124,900</u>	<u>124,900</u>	<u>170,053</u>	<u>(45,153)</u>
 TOTAL GENERAL FUND	 <u>5,863,368</u>	 <u>6,387,601</u>	 <u>4,988,914</u>	 <u>1,398,687</u>
 GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS	 <u>5,863,368</u>	 <u>6,387,601</u>	 <u>4,988,914</u>	 <u>1,398,687</u>
 OTHER FINANCING RESOURCES (USES):				
Sale of property	5,000	5,000	4,381	(619)
Insurance recoveries	-	20,100	20,103	3
Loan proceeds	-	-	-	-
Transfer in (out)	300,000	300,000	-	(300,000)
Total Other Financing Sources (Uses)	<u>305,000</u>	<u>325,100</u>	<u>24,484</u>	<u>(616)</u>
 Net Increase (Decrease) in Fund Balances	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ (66,544)</u>	 <u>\$ (66,544)</u>

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF TREASURER'S ACCOUNTABILITY
June 30, 2020

SCHEDULE 3

ASSETS HELD BY THE TREASURER:

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

Checking:

Branch Banking and Trust	151,504	
Powell Valley National Bank	<u>3,303,439</u>	
Total Checking		3,454,943

Savings:

Powell Valley National Bank	<u>8,182</u>	
Total Savings		8,182

Certificates of Deposit:

New Peoples Bank	104,118	
Powell Valley National Bank	<u>2,042,555</u>	
Total Certificates of Deposit		<u>2,146,673</u>

TOTAL CASH IN BANKS	<u>\$</u>	<u>5,609,798</u>
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TOTAL CASH	<u>\$</u>	<u>5,610,398</u>
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LIABILITIES OF THE TREASURER:

BALANCE OF TOWN FUNDS	<u>\$</u>	<u>5,610,398</u>
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STATISTICAL SECTION

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

CONTENTS	PAGE
FINANCIAL TRENDS	72
These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	
REVENUE CAPACITY	76
These schedules contain trend information to help the reader assess the Town's most significant local revenue source, the property tax.	
DEBT CAPACITY	80
These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	
ECONOMIC AND DEMOGRAPHIC INFORMATION	83
These schedules offer economic and demographic indicators to help the reader understand the Environment within which the town's financial activities take place.	
OPERATING INFORMATION	85
These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	

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

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

TABLE 1

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Governmental activities										
Net investment in capital assets	\$ 4,314,741	\$ 4,723,153	\$ 4,918,489	\$ 5,486,403	\$ 5,836,586	\$ 6,561,745	\$ 8,010,396	\$ 8,648,885	\$ 8,618,203	\$ 8,577,169
Restricted	200,446	454,022	420,705	498,697	433,933	426,648	407,415	383,814	413,224	381,382
Unrestricted	1,941,252	1,695,739	1,901,976	2,057,576	796,031	826,637	811,270	(1,070,084)	(201,339)	(223,728)
Total governmental activities net position	6,456,439	6,872,914	7,241,170	8,042,676	7,066,550	7,815,030	9,229,081	7,962,615	8,830,088	8,734,823
Business-type activities										
Invested in capital assets, net of related debt	12,017,827	12,940,723	13,790,758	14,356,841	14,104,154	13,946,633	13,670,229	13,445,910	13,390,746	13,631,738
Restricted	-	-	519,418	566,989	576,522	578,654	706,781	-	-	-
Unrestricted	1,857,691	1,733,800	266,697	86,526	(512,924)	(299,568)	(182,020)	(208,921)	1,006,150	1,285,733
Total business-type activities	13,875,518	14,674,523	14,576,873	15,010,356	14,167,752	14,225,719	14,194,990	13,236,989	14,396,896	14,917,471
Primary government										
Net investment in capital assets	16,332,568	17,663,876	18,709,247	19,843,244	19,940,740	20,508,378	21,680,625	22,094,795	22,008,949	22,208,907
Restricted	200,446	454,022	940,123	1,065,686	1,010,455	1,005,302	1,114,196	383,814	413,224	381,382
Unrestricted	3,798,943	3,429,539	2,168,673	2,144,102	283,107	527,069	629,250	(1,279,005)	804,811	1,062,005
Total primary government net position	\$ 20,331,957	\$ 21,547,437	\$ 21,818,043	\$ 23,053,032	\$ 21,234,302	\$ 22,040,749	\$ 23,424,071	\$ 21,199,604	\$ 23,226,984	\$ 23,652,294

1) Accounting standards require net position be reported in three categories in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net position is considered restricted when 1) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.

TABLE 2

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental Activities:										
General government	\$ 752,749	\$ 725,015	\$ 825,324	\$ 994,202	\$ 1,051,566	\$ 1,012,786	\$ 880,827	\$ 1,064,204	\$ 592,780	\$ 901,855
Public safety	1,711,243	1,608,733	1,770,301	1,724,958	1,412,244	1,389,878	1,557,379	1,826,662	1,134,920	1,660,460
Public works	1,087,526	1,156,507	1,321,308	1,340,341	1,012,813	1,201,774	1,500,727	1,325,963	1,454,319	1,481,585
Health and welfare	27,892	29,003	34,398	32,417	25,299	33,439	34,168	33,835	34,134	31,123
Parks, recreation and cultural	492,531	558,739	654,966	574,353	582,673	621,698	880,711	918,451	944,697	850,705
Community development	133,659	202,116	155,970	2,700	15,850	23,460	-	181,183	911,900	102,616
Interest on long-term debt	2,907	2,568	16,125	15,805	15,573	18,297	29,682	39,934	36,476	33,537
Non-departmental	100	-	-	-	-	-	-	-	-	-
Total government activities expense	4,208,607	4,282,681	4,778,392	4,684,776	4,116,018	4,301,332	4,883,494	5,390,232	5,109,227	5,061,881
Business-Type Activities:										
Water	2,599,843	2,816,255	2,910,990	2,839,093	2,612,238	2,434,693	2,578,299	2,618,548	2,028,832	2,690,842
Wastewater	1,561,332	1,531,330	1,555,631	1,499,681	1,488,939	1,475,405	1,570,311	1,806,459	1,484,313	1,700,993
Total business-type activities expenses	4,161,175	4,347,585	4,466,621	4,338,774	4,101,177	3,910,098	4,148,610	4,425,007	3,513,145	4,391,835
Total primary government expenses	\$ 8,369,782	\$ 8,630,266	\$ 9,245,013	\$ 9,023,550	\$ 8,217,195	\$ 8,211,430	\$ 9,032,104	\$ 9,815,239	\$ 8,622,372	\$ 9,453,716
Program Revenues										
Governmental Activities:										
Charges for services										
Public safety	\$ 74,333	\$ 26,966	\$ 135,528	\$ 80,175	\$ 67,658	\$ 69,674	\$ 82,255	\$ 85,492	\$ 77,833	\$ 92,095
Public works	299,240	299,072	294,572	289,306	288,848	283,125	279,752	307,182	309,087	304,492
Parks, recreation and culture	68,182	68,536	74,812	70,685	69,571	67,252	88,843	96,686	146,621	133,785
Community development	-	-	-	1,020	-	-	-	-	-	-
Operating grants and contributions	1,127,046	1,345,211	1,106,199	1,410,673	1,204,384	1,235,119	1,168,166	1,383,840	1,298,798	1,288,688
Capital grants and contributions	25,167	5,000	69,422	867,894	93,598	273,383	1,557,173	608,120	907,557	94,065
Total governmental activities program revenues	1,593,968	1,744,785	1,680,533	2,719,753	1,724,059	1,928,553	3,176,189	2,481,320	2,739,896	1,913,125
Business-Type Activities:										
Charges for services										
Water	2,448,059	2,578,259	2,523,599	2,583,230	2,495,051	2,506,629	2,624,186	2,561,893	2,588,762	2,615,716
Wastewater	1,384,341	1,485,525	1,424,508	1,550,445	1,427,363	1,413,709	1,415,338	1,482,793	1,571,259	1,595,868
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	1,931,772	1,645,042	1,186,401	634,481	120,276	40,864	71,774	120,168	497,751	684,856
Total business-type activities program revenues	5,764,172	5,708,826	5,134,508	4,768,156	4,042,690	3,961,202	4,111,298	4,164,854	4,657,772	4,896,440
Total primary government program revenues	\$ 7,358,140	\$ 7,453,611	\$ 6,815,041	\$ 7,487,909	\$ 5,766,749	\$ 5,889,755	\$ 7,287,487	\$ 6,646,174	\$ 7,397,668	\$ 6,809,565
Net (Expense)/Revenue										
Governmental Activities	\$ (2,614,639)	\$ (2,537,896)	\$ (3,097,859)	\$ (1,965,023)	\$ (2,391,959)	\$ (2,391,959)	\$ (1,707,305)	\$ (2,908,912)	\$ (2,369,331)	\$ (3,148,756)
Business-Type Activities:	1,602,997	1,361,241	667,887	429,382	(58,487)	(58,487)	(37,312)	(260,153)	1,144,627	504,605
Total primary government net (expense)/revenue	\$ (1,011,642)	\$ (1,176,655)	\$ (2,429,972)	\$ (1,535,641)	\$ (2,450,446)	\$ (2,450,446)	\$ (1,744,617)	\$ (3,169,065)	\$ (1,224,704)	\$ (2,644,151)

TABLE 2 cont.

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenues and other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	\$ 996,365	\$ 985,082	\$ 996,372	\$ 1,021,829	\$ 1,021,829	\$ 1,019,919	\$ 1,055,104	\$ 1,043,502	\$ 1,010,818	\$ 1,065,632
Local sales & use tax	278,650	210,028	200,693	188,713	188,713	206,284	206,772	196,060	201,422	212,558
Utility tax	121,666	114,829	108,135	120,608	120,608	114,522	113,897	114,288	113,187	110,989
Business license tax	257,689	272,666	262,667	224,685	224,685	269,032	275,851	271,497	293,453	241,834
Communication tax	202,260	191,746	212,801	192,354	192,354	185,028	180,480	174,838	162,198	158,499
Motor vehicle license	59,702	56,253	54,952	53,534	53,534	44,045	56,215	55,973	65,634	63,501
Bank stock tax	102,233	91,752	98,302	92,414	92,414	116,969	104,174	106,107	95,600	81,915
Cigarette tax	34,500	31,840	33,135	25,860	25,860	60,810	52,355	48,095	50,888	46,687
Hotel and motel room tax	11,500	10,576	10,695	7,902	7,902	6,293	4,816	4,192	4,789	3,806
Restaurant food tax	515,271	536,202	524,473	531,584	531,584	573,026	668,756	680,782	749,410	735,202
Coal road improvement tax	198,370	223,155	107,719	70,663	70,663	30,713	23,660	24,017	38,286	30,561
Unrestricted intergovernmental revenue	31,672	56,117	60,080	60,070	60,070	53,329	113,808	58,602	139,469	72,101
Unrestricted investment earnings	5,988	4,407	2,507	1,696	1,696	2,884	1,765	3,386	5,494	6,547
Rental of Town property	8,240	10,049	44,152	14,342	14,342	22,098	17,651	56,779	21,678	19,211
Gain on sale of capital assets	-	-	-	-	-	13,589	25,913	5,859	3,559	4,381
Other	190,321	223,921	198,484	160,275	160,275	402,718	220,139	514,453	280,918	200,067
Total governmental activities	3,014,427	3,018,623	2,915,167	2,766,529	2,766,529	3,121,259	3,121,356	3,358,430	3,236,803	3,053,491
Business-Type Activities:										
Unrestricted investment earnings	18,156	12,082	7,877	4,101	4,101	6,863	6,583	9,438	15,280	15,970
Other	-	-	-	-	-	-	-	-	-	-
Total business-type activities	18,156	12,082	7,877	4,101	4,101	6,863	6,583	9,438	15,280	15,970
Total primary government	\$ 3,032,583	\$ 3,030,705	\$ 2,923,044	\$ 2,770,630	\$ 2,770,630	\$ 3,128,122	\$ 3,127,939	\$ 3,367,868	\$ 3,252,083	\$ 3,069,461
Change in Net Position										
Governmental Activities	\$ 399,788	\$ 480,727	\$ (182,692)	\$ 801,506	\$ 374,570	\$ 748,480	\$ 1,414,051	\$ 449,518	\$ 867,473	\$ (95,265)
Business-Type Activities	1,621,153	1,373,323	675,764	433,483	(54,386)	(51,624)	(30,729)	(250,715)	1,159,907	520,575
Total primary government	\$ 2,020,941	\$ 1,854,050	\$ 493,072	\$ 1,234,989	\$ 320,184	\$ 696,856	\$ 1,383,322	\$ 198,803	\$ 2,027,380	\$ 425,310

TABLE 3

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Nonspendable	\$ 486	\$ 3,794	\$ 1,588,988	\$ 1,581,391	\$ 1,587,132	\$ 1,544,363	\$ 1,543,891	\$ 1,508,891	\$ 1,397,238	\$ 1,103,167
Restricted	124,284	376,171	341,200	418,150	435,429	439,545	420,313	396,759	423,465	399,841
Committed	853,000	404,050	309,250	288,150	147,600	317,740	228,625	340,105	247,231	190,058
Assigned	219,516	214,338	69,424	101,539	366,522	254,901	550,856	662,379	94,212	187,597
Unassigned	999,672	1,247,385	170,111	354,236	500,743	385,760	253,960	233,359	581,000	795,939
Total general fund	<u>\$ 2,196,958</u>	<u>\$ 2,245,738</u>	<u>\$ 2,478,973</u>	<u>\$ 2,743,466</u>	<u>\$ 3,037,426</u>	<u>\$ 2,942,309</u>	<u>\$ 2,997,645</u>	<u>\$ 3,141,493</u>	<u>\$ 2,743,146</u>	<u>\$ 2,676,602</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	76,162	77,850	79,505	80,547	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 76,162</u>	<u>\$ 77,850</u>	<u>\$ 79,505</u>	<u>\$ 80,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

- 1) GASB 54 was implemented for the year ended June 30, 2011 which changes the method of reporting fund balance.
2) Prior year amounts have not been restated for the implementation of Statement 54.

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

TABLE 4

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
General property taxes	\$ 985,417	\$ 975,224	\$ 991,818	\$ 1,023,133	\$ 991,206	\$ 1,007,579	\$ 1,048,789	\$ 1,040,465	\$ 1,014,278	\$ 1,020,963
Other local taxes	1,781,841	1,739,047	1,613,572	1,508,317	1,532,062	1,606,722	1,686,976	1,675,849	1,774,867	1,685,552
Permits and licenses	4,672	3,726	3,078	2,382	3,814	2,910	5,878	3,499	3,335	1,028
Fines and forfeitures	35,080	28,408	19,335	22,755	30,032	16,341	12,558	33,414	27,417	10,642
Investment earnings	14,228	14,456	46,659	16,038	15,953	24,982	19,452	62,886	31,193	26,181
Charges for services	394,574	504,912	450,749	441,186	426,097	420,051	450,850	489,360	533,541	530,372
Other revenues	15,289	70,322	113,552	38,470	246,530	249,204	43,786	74,123	67,603	28,460
recovered cost	128,075	122,675	121,525	121,000	146,301	134,263	133,237	395,328	155,712	139,834
Intergovernmental	1,381,883	1,231,738	1,772,320	2,307,137	1,333,234	1,561,831	2,839,147	2,050,562	2,345,824	1,454,854
Total revenues	4,741,059	4,690,508	5,132,608	5,480,418	4,725,229	5,023,883	6,240,673	5,825,486	5,953,770	4,897,886
Expenditures										
General government	832,597	850,119	928,404	918,390	898,907	941,923	849,769	892,681	917,452	905,550
Public safety	1,741,189	1,588,682	1,797,006	1,719,110	1,522,304	1,631,750	2,102,456	1,492,361	1,489,553	1,517,836
Public works	1,038,581	1,434,840	1,294,684	1,288,192	1,030,370	1,543,339	2,206,617	1,220,517	1,724,950	1,380,057
Health and welfare	27,892	29,003	34,398	32,417	25,299	33,439	34,168	33,835	34,134	31,123
Parks, recreation and culture	530,460	746,227	705,609	801,096	889,901	1,281,042	1,518,415	1,656,237	1,216,230	881,679
Community development	133,659	202,116	155,970	408,345	190,337	23,460	-	216,183	911,900	102,616
Non-Departmental	100	-	-	-	-	-	-	-	-	-
Debt service										
Principal	27,370	29,009	68,326	52,596	65,404	87,500	132,072	142,241	125,036	135,677
Interest	2,907	2,568	16,125	15,804	15,573	18,297	22,433	41,496	36,371	34,376
Total expenditures	4,334,755	4,882,564	5,000,522	5,235,950	4,638,095	5,560,750	6,865,930	5,695,551	6,455,626	4,988,914
Excess of revenues over (under) expenditures	406,304	(192,056)	132,086	244,468	87,134	(536,867)	(625,257)	129,935	(501,856)	(91,028)
Other Financing Sources (Uses)										
Proceeds from borrowing	-	236,000	92,302	12,698	123,500	365,700	630,000	-	73,100	-
Insurance Recoveries	9,088	6,524	10,502	8,349	2,779	62,461	24,680	8,054	26,850	20,103
Proceeds from sale of assets	-	-	-	-	-	13,589	25,913	5,859	3,559	4,381
Total other financing sources (uses)	9,088	242,524	102,804	21,047	126,279	441,750	680,593	13,913	103,509	24,484
Net change in fund balance	\$ 415,392	\$ 50,468	\$ 234,890	\$ 265,515	\$ 213,413	\$ (95,117)	\$ 55,336	\$ 143,848	\$ (398,347)	\$ (66,544)
Debt service as a percentage of noncapital expenditures	0.70%	0.65%	1.72%	1.32%	1.78%	1.94%	2.30%	3.33%	2.56%	3.53%

TABLE 5

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

Fiscal Years Ended June 30	Real Estate	Personal Property	Machinery and Tools	Public Utilities		Mobile Homes	Total Assessed Value	Total Direct Tax rate per \$100
				Real Estate	Personal Property			
2020	\$ 185,504,720	\$ 28,259,606	\$ 94,170	\$ 3,924,108	\$ 5,983,650	\$ 718,720	\$ 224,484,974	\$ 0.455
2019	184,201,766	28,570,899	61,400	10,015,324	-	707,630	223,557,019	0.457
2018	179,664,082	27,966,892	82,415	9,671,654	-	893,200	218,278,243	0.772
2017	178,618,781	27,355,827	82,415	9,603,696	3,752	871,680	216,536,151	0.484
2016	178,591,550	27,283,580	270,395	9,630,375	4,750	863,280	216,643,930	0.465
2015	178,283,162	27,409,690	306,700	8,699,675	51,645	894,230	215,645,102	0.460
2014	177,662,445	27,945,443	168,840	6,932,855	466,022	1,017,440	214,193,045	0.478
2013	176,690,845	15,583,595	149,575	6,766,360	100,680	872,150	200,163,205	0.469
2012	176,093,320	25,913,899	167,110	8,193,105	60,590	938,860	211,366,884	0.461
2011	174,834,870	25,961,831	141,030	10,179,955	60,570	803,270	211,981,526	0.465

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

TABLE 6

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

Fiscal Years Ended June 30	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Public Utilities		Overlapping Rates Wise County	
					Real Estate	Personal Property	Real Estate	Personal Property
2020	\$ 0.44	\$ 0.62	\$ 0.62	\$ 0.44	\$ 0.44	\$ 0.62	\$ 0.69	\$ 1.65
2019	0.44	0.62	0.62	0.44	0.44	0.62	0.69	1.65
2018	0.44	0.62	0.62	0.44	0.44	0.62	0.60	1.56
2017	0.44	0.62	0.62	0.44	0.44	0.62	0.60	1.56
2016	0.44	0.62	0.62	0.44	0.44	0.62	0.57	1.49
2015	0.44	0.62	0.62	0.44	0.44	0.62	0.57	1.49
2014	0.44	0.62	0.62	0.44	0.44	0.62	0.57	1.49
2013	0.44	0.62	0.62	0.44	0.44	0.62	0.57	1.49
2012	0.44	0.62	0.62	0.44	0.44	0.62	0.57	1.49
2011	0.44	0.62	0.62	0.44	0.44	0.62	0.57	1.49

1) Rates are presented per \$100 assessed value

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

TABLE 7

June 30, 2020:

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

June 30, 2011:

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Percent of Real Estate Levy</u>
One Center Corp	Shopping center	\$ 4,353,400	2.49%
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%

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

TABLE 8

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

Fiscal Years Ended June 30	Total Tax Levy (1)(2)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections(3)	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Levy
2020	\$ 1,006,860	\$ 883,522	87.75%	\$ 44,972	\$ 928,494	92.22%	\$ 306,123	30.40%
2019	1,035,196	863,998	83.46%	53,236	917,234	88.60%	257,163	24.84%
2018	1,010,919	897,286	88.76%	45,953	943,239	93.31%	261,215	25.84%
2017	1,002,161	872,903	87.10%	72,818	945,721	94.37%	241,115	24.06%
2016	1,002,845	929,567	92.69%	51,089	980,656	97.79%	246,154	24.55%
2015	998,827	906,813	90.79%	52,467	959,280	96.04%	208,470	20.87%
2014	958,629	877,969	91.59%	50,584	928,553	96.86%	201,271	21.00%
2013	900,373	837,029	92.96%	61,030	898,059	99.74%	201,535	22.38%
2012	969,143	842,447	86.93%	41,724	884,171	91.23%	197,230	20.35%
2011	972,863	844,009	86.76%	49,976	893,985	91.89%	174,180	17.90%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

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

TABLE 9

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

Fiscal Years Ended June 30	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	General Obligation Bonds				
			Water Bonds	Wastewater Bonds			
2020	\$ 753,740	\$ -	\$ 9,288,433	\$ 3,851,325	\$ 13,893,498	13.14%	\$ 2,707
2019	889,417	-	9,385,585	4,146,476	14,421,478	6.58%	2,673
2018	941,354	-	9,402,573	4,363,036	14,706,963	7.12%	2,620
2017	1,083,595	-	9,587,035	4,625,478	15,296,108	17.64%	2,803
2016	585,667	-	9,976,469	4,927,656	15,489,792	20.22%	2,860
2015	307,467	-	10,356,456	5,228,174	15,892,097	22.13%	2,912
2014	249,371	-	10,687,765	5,527,071	16,464,207	19.80%	2,933
2013	289,271	-	10,753,327	5,983,051	17,025,649	21.39%	3,051
2012	265,295	-	11,066,168	6,574,194	17,905,657	18.94%	3,173
2011	58,304	-	11,286,791	7,081,552	18,426,647	20.19%	3,282

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

TABLE 10

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

Fiscal Years Ended June 30	General Bonded Debt Outstanding	Percentage of Actual Taxable	
	General Obligation Bonds	Value of Property	Per Capita
2020	\$ 4,207,594	1.87%	\$ 820
2019	4,754,830	2.13%	881
2018	4,863,696	2.23%	866
2017	9,545,008	4.41%	1,749
2016	9,544,595	4.41%	1,762
2015	9,757,904	4.52%	1,788
2014	10,145,875	4.74%	1,807
2013	10,370,509	5.18%	1,859
2012	10,762,717	5.09%	1,907
2011	10,796,397	5.09%	1,923

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**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Assessed valuations										
Assessed value of taxed real property	\$ 174,834,870	\$ 176,093,320	\$ 176,690,845	\$ 177,662,445	\$ 178,283,162	\$ 178,591,550	\$ 178,618,781	\$ 179,664,082	\$ 184,201,766	\$ 185,504,720
Legal debt margin										
Debt limit - 10 percent of total assessed value	17,483,487	17,609,332	17,669,085	17,766,245	17,828,316	17,859,155	17,861,878	17,966,408	18,420,177	18,550,472
Debt applicable to limitation:										
Total bonded debt	18,426,647	17,905,657	17,025,649	16,464,207	15,892,097	15,489,792	15,296,108	14,706,963	14,421,478	13,893,498
Less - water and wastewater revenue bonds	(7,630,250)	(7,142,940)	(6,655,140)	(6,318,332)	(6,134,193)	(5,945,197)	(5,751,100)	(9,843,267)	(9,666,648)	(9,685,904)
Total amount of debt applicable to debt limitation	10,796,397	10,762,717	10,370,509	10,145,875	9,757,904	9,544,595	9,545,008	4,863,696	4,754,830	4,207,594
Legal debt margin	\$ 6,687,090	\$ 6,846,615	\$ 7,298,576	\$ 7,620,370	\$ 8,070,412	\$ 8,314,560	\$ 8,316,870	\$ 13,102,712	\$ 13,665,347	\$ 14,342,878
Total net debt applicable to the limit as a percentage of debt limit	61.75%	61.12%	58.69%	57.11%	54.73%	53.44%	53.44%	27.07%	25.81%	22.68%

TABLE 12

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

Fiscal Years Ended June 30	Water Revenue Bonds						
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2020	\$ 2,615,716	\$ 1,227,791	\$ 1,387,925	\$ 351,781	\$ 263,890	\$ 615,671	2.25
2019	2,588,762	1,137,572	1,451,190	340,911	256,319	597,230	2.43
2018	2,561,893	1,553,250	1,008,643	370,156	315,015	685,171	1.47
2017	2,624,186	1,606,342	1,017,844	390,237	342,740	732,977	1.39
2016	2,506,629	1,457,917	1,048,712	379,987	353,048	733,035	1.43
2015	2,495,051	1,640,066	854,985	370,347	359,425	729,772	1.17
2014	2,583,230	1,873,897	709,333	353,964	368,622	722,586	0.98
2013	2,493,380	1,943,576	549,804	344,147	344,590	688,737	0.80
2012	2,523,599	1,841,596	682,003	1,485,382	374,440	1,859,822	0.37
2011	2,558,553	1,665,123	893,430	294,930	415,768	710,698	1.26

Fiscal Years Ended June 30	Wastewater Revenue Bonds						
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2020	\$ 1,595,868	\$ 419,844	\$ 1,176,024	\$ 292,695	\$ 53,696	\$ 346,391	3.40
2019	1,571,259	793,585	777,674	293,960	54,328	348,288	2.23
2018	1,482,793	1,092,388	390,405	286,439	63,775	350,214	1.11
2017	1,415,338	877,999	537,339	302,178	68,749	370,927	1.45
2016	1,413,709	792,745	620,964	300,518	70,425	370,943	1.67
2015	1,427,363	817,037	610,326	298,897	71,450	370,347	1.50
2014	1,550,445	822,170	728,275	455,980	73,592	529,572	1.38
2013	1,412,109	872,462	539,647	613,007	69,453	682,460	0.79
2012	1,424,508	848,351	576,157	868,556	75,513	944,069	0.61
2011	1,485,525	896,433	589,092	586,575	84,094	670,669	0.88

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

Operating expenses do not include interest, depreciation, or amortization expense.

TABLE 13

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

Fiscal Years Ended June 30	Population	Personal Income	Per Capita Median Income	Median Age	School Enrollment	Unemployment Rate
2020	5,132	\$105,744,860	\$ 20,605	37.5	1,995	5.40%
2019	5,395	219,139,505	40,619	37.1	2,015	5.40%
2018	5,614	206,656,954	36,811	37.1	2,008	8.30%
2017	5,457	86,733,558	15,894	36.0	2,006	7.70%
2016	5,416	76,620,152	14,147	33.3	1,789	7.50%
2015	5,457	71,808,663	13,159	33.3	1,793	8.90%
2014	5,614	83,132,112	14,808	35.0	1,813	4.60%
2013	5,580	79,593,120	14,264	36.0	1,859	5.50%
2012	5,643	94,542,822	16,754	39.4	1,887	7.70%
2011	5,614	91,249,956	16,254	40.2	1,758	7.35%

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

TABLE 14

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

June 30, 2020		
<u>Employer</u>	<u>Product or Service</u>	<u>Total Estimated Employment*</u>
Wallens Ridge State Prison	Public Agency	462
Mountain Empire Community College	Public Agency	232
Lonesome Pine Regional Hospital	Health Care	125
Wise County Public Schools	Public Agency	342
Heritage Hall	Assisted Living	157
June 30, 2011		
<u>Employer</u>	<u>Product or Service</u>	<u>Total Estimated Employment*</u>
Wallens Ridge State Prison	Public Agency	250-499
Lonesome Pine Hospital	Health Care	250-499
Mountain Empire Older Citizens	Public Agency	250-499
Riggs Oil Company	Fuel Distributor/Retail Sales	100-249

1) Source: Virginia Employment Commission

TABLE 15

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

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government										
Management services	1	1	1	1	1	1	1	1	1	1
Finance	2	2	3	3	3.5	4.5	5	4	4	4
Planning	0	0	0	0	0	0	0	0	0	0
Building	1	1	1	1	1	1	1	1	1	1
Other	7.5	5.5	4	4	3.5	3.5	3	3	3	3
Public safety										
Officers	16.5	16	15	15	15	13	15	13	13	14
Civilians	4	4	3	3	3	2	2	3	3	3
Public works										
Refuse collection	3	5	3	4	4	4	5	4	4	4
Streets	7	6	6	6	6	5	4	6	6	6
other	9	8.5	9	9.5	11	14	29	11	7.5	7.5
Parks and recreation										
Parks	6	7	2	5.5	5	6	6.5	5	5.5	6
Other	4	5	1	5	3.5	3.5	3	3	3	0
Visitors' Center										
Tourism							1	1	1	0
Other							1	1	2	2
Water operations	7	8	5	12.5	9	8.5	8	7	7	7
Wastewater operations	3.5	4	3	3.5	3.5	5	5.5	5.5	5.5	5.5

1) Source: Town's finance department

TABLE 16

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

Function	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Public safety										
Citations written	1,420	1,326	694	1,188	1,161	891	754	772	859	575
Water operations										
Number of service connections	3,930	3,841	3,861	3,883	3,844	3,858	3,792	3,798	3,798	3,810
Average daily consumption in gallons	799,009	734,759	894,172	760,107	653,728	622,292	1,774,216	683,871	4,074,404	633,605
Maximum daily capacity of plant in gallons	4,000,000	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000
Wastewater operations										
Number of service connections	2,639	2,701	2,749	2,601	2,585	2,576	2,695	2,669	2,729	2,736
Average daily treatment in gallons	1,533,083	1,758,417	1,904,167	1,474,000	1,932,600	1,926,583	2,284,333	1,761,750	2,303,917	2,247,000
Maximum daily capacity of plant in gallons	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000

TABLE 17

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

Function	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Public safety										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	11	10	10	11	11	13	13	15	15	14
Public works										
Streets (miles)	56	56	68	68.36	68	68	68	68	68	68
Streetlights	574	574	571	571	571	571	575	575	575	575
Traffic signals	7	7	7	7	7	7	7	7	7	7
Water operations										
Miles of water main	56	56	56	47.39	85	85	85	85	85	85
Number of fire hydrants	300	300	300	361	361	361	361	361	361	361
Wastewater operations										
Miles of sanitary sewers	12	12	12	34	34	34	34	34	34	34
Miles of storm sewers	8	8	8	8	8	8	8	8	8	8
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of pumping stations	6	6	6	7	7	7	7	7	7	7

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Big Stone Gap, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Big Stone Gap, Virginia's basic financial statements, and have issued our report thereon dated January 28, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Town's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town of Big Stone Gap, Virginia in a separate letter dated January 28, 2021.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rodger Moss & Co, PLLC

Norton, Virginia
January 28, 2021

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, 2020, and have issued our report thereon dated January 28, 2021.

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

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

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

Code of Virginia

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

State Agency Requirements

- Highway Maintenance Funds

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

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

Rodefer Moss & Co, PLLC

Norton, Virginia
January 28, 2021

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

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Big Stone Gap, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2020. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Roderick Mass & Co, PLLC

Norton, Virginia
January 28, 2021

TOWN OF BIG STONE GAP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures
DEPARTMENT OF TRANSPORTATION			
Highway Planning and Construction	20.205		\$ 26,534
Alcohol Open Container Requirements	20.607	DMV--154AL-2018	9,705
Total Department of Transportation			<u>36,239</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grants/State's Program	14.228		<u>38,759</u>
DEPARTMENT OF AGRICULTURE			
Water and Waste Disposal Systems for Rural Communities	10.760		145,069
Community Facilities Loans and Grants-Cluster	10.766		<u>-</u>
DEPARTMENT OF JUSTICE			
Edward Byrne Memorial Justice Assistance Grant	16.738		1,781
U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY			
High Intensity Drug Trafficking Areas Program	95.001	Office of National Drug Control Policy, G18A90001A	<u>135,557</u>
ENVIRONMENTAL PROTECTION AGENCY			
Capitalization Grants for Drinking Water State Revolving Funds	66.468		<u>570,864</u>
Total Expenditures of Federal Awards			<u><u>\$ 928,269</u></u>

The accompanying notes are an integral part of this schedule.

TOWN OF BIG STONE GAP
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

NOTE A--BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) included the federal award activity of the Town of Big Stone Gap under programs of the federal government of the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the Town of Big Stone Gap, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Big Stone Gap.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C--INDIRECT COST RATE

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

TOWN OF BIG STONE GAP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

A) SUMMARY OF AUDIT RESULTS

- 1) The auditor's report expresses an unmodified opinion on whether the financial statements of the Town of Big Stone Gap, Virginia were prepared in accordance with GAAP.
- 2) No significant deficiencies relating to the audit of the financial statements of the Town of Big Stone Gap, Virginia, are reported in the Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. No material weaknesses are reported.
- 3) No instances of non-compliance material to the financial statements of the Town of Big Stone Gap, Virginia, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- 4) No significant deficiencies in internal control over major federal award programs are disclosed in the Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance required by the Uniform Guidance. No material weaknesses are reported.
- 5) The Auditor's report on Compliance for the Major Federal Award Programs for the Town of Big Stone Gap, Virginia, expresses an unmodified opinion on all major federal programs.
- 6) Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
- 7) The programs tested as major programs were:
Capitalization Grants for Drinking Water State Revolving Funds--CFDA No. 66.468
- 8) The threshold for distinguishing types A & B programs was \$750,000.
- 9) The Town of Big Stone Gap, Virginia, was determined to be a low-risk auditee.

B) FINDINGS - FINANCIAL STATEMENTS AUDIT

NONE

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

NONE