



TOWN of
Big Stone GapTM
A VIRGINIA MOUNTAIN TOWN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2017

TOWN OF BIG STONE GAP, VIRGINIA
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June 30, 2017

TOWN COUNCIL:

James A. Stone, Mayor
Gary Johnson, Vice-Mayor
Crystal Lyke
Kent Gilley
Nancy Bailey
Philip Robbins
Robert Bloomer

TOWN OFFICERS:

Stephen Lawson, Town Manager
Steve Hamm, Chief of Police
Judy Hall, Town Clerk/Treasurer

TOWN LEGAL COUNSEL:

Charles Bledsoe, Attorney at Law



Management Discussion and Analysis

November 27, 2017

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, 2017.

Financial Highlights

- The assets of the Town exceeded its liabilities at the end of the fiscal year by \$23,424,071 (net position). Of this amount, \$629,250 can be used to meet the Town's ongoing obligations.
- At June 30, 2017, the Town reported combined ending fund balances of \$2,997,645, a decrease of \$55,336 in comparison with the prior year. Approximately 8.47 % of this total amount is available for spending at the Town Council's discretion (unassigned fund balance).
- As of June 30, 2017, the General Fund had a total Fund Balance of \$2,997,645.
- The Town of Big Stone Gap's total debt decreased by \$193,684 during the fiscal year. The total debt outstanding as of June 30, 2017 was \$ 15,296,108.
- As of June 30, 2017, the Town's Legal Debt Margin was \$17,618,781.
- The Water/Sewer Proprietary Fund had a decrease in Net Position for the year of \$30,729.

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, 2017

	Governmental Activities	Business Type Activities	Total
Current & other assets	\$ 3,743,059	\$ 1,757,895	\$ 5,500,954
Capital assets	9,093,991	26,918,177	36,012,168
Other noncurrent assets	-	964,565	964,565
Deferred Outflows	498,190	245,378	743,568
Total Assets	\$ 13,335,240	\$ 29,886,015	\$ 43,221,255
Current & other liabilities	\$ 844,201	\$ 1,017,243	\$ 1,861,444
Long-term liabilities	3,261,958	14,673,782	17,935,740
Deferred Inflows	-	-	-
Total Liabilities	\$ 4,106,159	\$ 15,691,025	\$ 19,797,184
Net Position:			
Invested in Capital assets (Net of related debt)	8,010,396	13,670,229	21,680,625
Restricted	407,415	706,781	1,114,196
Unrestricted	811,270	(182,020)	629,250
Total Net Position	\$ 9,229,081	\$ 14,194,990	\$ 23,424,071

Net position serves as a useful indicator of a government's financial position. The Town's combined net position totals \$23,424,071. 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 \$21,680,625. The Town of Big Stone Gap uses these capital assets to provide services to citizens; and thus these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities. Net position includes \$1,543,891 non-spendable, \$420,313 restricted, \$228,625 committed, \$550,856 assigned, and \$253,960 is unassigned and may be used to meet the Town's ongoing obligations to citizens and creditors.

Governmental Activities – Governmental activities increased the Town's net position by \$1,414,051. Key elements of this increase are as follows:

Governmental Activities Year Ended June 30, 2017

Revenues:	
Program Revenues:	
Charges for Services	\$ 450,850
Operating Grants and Contributions	1,168,166
Capital Grants and Contributions	1,557,173
General Revenues:	
Property Taxes	1,055,104
Other Local Taxes	1,686,976
Unrestricted Intergovernmental Revenue	113,808
Unrestricted Investment Earnings	1,765
Other	263,703
Total Revenues	\$ 6,297,545
Expenses:	
General Government	\$ 880,827
Public Safety	1,557,379
Public Works	1,500,727
Health and Welfare	34,168
Parks, Recreation, Culture	880,711
Community Development	-
Interest on Long Term Debt	29,682
Total Expenses	\$ 4,883,494
Increase (Decrease) in Net Position	\$ 1,414,051

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:

	2017	2016
General Property Taxes	\$ 1,048,789	\$ 1,007,579
Other Local Taxes	1,686,976	1,606,722
Permits, Privilege Fees and Regulatory Licenses	5,878	2,910
Fines and Forfeitures	12,558	16,341
Revenue From Use of Money and Property	19,452	38,571
Charges for Services	450,850	567,816
Miscellaneous	43,786	46,392
Recovered Costs	133,237	162,439
Inter-Governmental	2,839,147	1,614,066

The Town's assessed value of real estate for the year was \$ 178,618,781. The real estate tax rate is \$.44 per \$ 100 of assessed value. For the year, the percent of levy collected was 94.37%

The Town's business type activity is the Water/Sewer Proprietary Fund. During the year this fund had net loss (change in net position) of \$30,729. Cash and cash equivalents increased by \$113,601 to \$2,941,858.

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

	Final Budget	Actual	Favorable (Unfav.) Variance
Total Revenues	\$ 7,941,503	\$ 6,921,266	\$ (1,020,237)
Total Expenses	7,941,503	6,865,930	1,075,573
Excess of Revenues over Expenses	\$ -	\$ 55,336	\$ 55,336

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

THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants

& Consultants

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INDEPENDENT AUDITOR'S 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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Big Stone Gap, Virginia as of June 30, 2017, 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 60, and the pension schedules on pages 61 through 64, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2017 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.


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

Norton, Virginia
November 27, 2017

THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants

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INDEPENDENT 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

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, 2017, 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 November 27, 2017.

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*.

The Honorable Members of the Town Council
Town of Big Stone Gap, Virginia
Big Stone Gap, VA 24219
Page 2

*(Independent 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)*

We noted certain matters that we reported to management of the Town of Big Stone Gap, Virginia in a separate letter dated November 27, 2017.

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.


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

Norton, Virginia
November 27, 2017

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Big Stone Gap, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2017. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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.

The Honorable Members of the Town Council
Town of Big Stone Gap
Big Stone Gap, Virginia 24219
Page 2
(Independent Auditor's report on Compliance
For Each Major Program and on Internal Control
Over Compliance Required by the Uniform Guidance)

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.


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

Norton, Virginia
November 27, 2017

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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, 2017, and have issued our report thereon dated November 27, 2017.

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 intended to be, and should not be, used by anyone other than these specified parties.

Thrower, Blanton & Associates, P.C.
THROWER, BLANTON & ASSOCIATES, P.C.
Certified Public Accountants
November 27, 2017

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2017

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	\$ 947,315	\$ 1,426,610	\$ 2,373,925
Receivables:			
Taxes	166,213	-	166,213
Accounts	24,092	334,928	359,020
Other	68,008	-	68,008
Prepaid expenses	-	-	-
Due from other governmental units	529,533	25,000	554,533
Internal Balances	1,543,891	(1,543,891)	-
Restricted Assets:			
Cash	464,007	1,515,248	1,979,255
Capital assets, depreciable, net	6,517,687	26,918,177	33,435,864
Capital assets, non-depreciable	2,576,304	964,565	3,540,869
Total Assets	<u>12,837,050</u>	<u>29,640,637</u>	<u>42,477,687</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Items related to measurement of net pension liability	285,446	140,593	426,039
Pension contributions subsequent to measurement date	212,744	104,785	317,529
Total Deferred Outflows of Resources	<u>498,190</u>	<u>245,378</u>	<u>743,568</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 13,335,240</u>	<u>\$ 29,886,015</u>	<u>\$ 43,221,255</u>
<u>LIABILITIES</u>			
Accounts payable	194,056	88,566	282,622
Accrued liabilities and wages	80,697	31,634	112,331
Payable From Restricted Assets:			
Deposits	-	133,700	133,700
Drug task force reserve	343,264	-	343,264
Matured revenue interest	8,661	18,470	27,131
Long-term liabilities			
Net pension liability	2,002,192	986,153	2,988,345
OPEB liability	202,380	90,172	292,552
Due within one year	143,519	704,161	847,680
Due in more than one year	940,076	13,508,352	14,448,428
Compensated absences			
Due within one year	74,004	40,712	114,716
Due in more than one year	117,310	89,105	206,415
Total Liabilities	<u>4,106,159</u>	<u>15,691,025</u>	<u>19,797,184</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related deferred inflows	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
<u>NET POSITION</u>			
Net investment in capital assets	8,010,396	13,670,229	21,680,625
Restricted	407,415	706,781	1,114,196
Unrestricted	811,270	(182,020)	629,250
Total Net Position	<u>9,229,081</u>	<u>14,194,990</u>	<u>23,424,071</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES	<u>\$ 13,335,240</u>	<u>\$ 29,886,015</u>	<u>\$ 43,221,255</u>
AND NET POSITION			

TOWN OF BIG STONE GAP, VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
Year Ended June 30, 2017

EXHIBIT 3

	<u>General Fund</u>	<u>Total</u>
ASSETS		
Cash and cash equivalents	\$ 947,315	\$ 947,315
Receivables:		
Taxes	166,213	166,213
Accounts	24,092	24,092
Other	68,044	68,044
Prepaid expenses	-	-
Due from other funds	1,543,891	1,543,891
Due from other governmental units	529,533	529,533
Restricted Assets:		
Cash	464,007	464,007
Total Assets	<u>\$ 3,743,095</u>	<u>\$ 3,743,095</u>
LIABILITIES		
Accounts payable	\$ 194,056	\$ 194,056
Accrued payroll and related liabilities	66,062	66,062
Payable From Restricted Assets:		
Drug task force reserve	343,264	343,264
Due to other funds	-	-
Total Liabilities	<u>603,382</u>	<u>603,382</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred property taxes	142,068	142,068
Total Deferred Inflows of Resources	<u>142,068</u>	<u>142,068</u>
FUND BALANCES:		
Nonspendable	1,543,891	1,543,891
Restricted	420,313	420,313
Committed	228,625	228,625
Assigned	550,856	550,856
Unassigned	253,960	253,960
Total Fund Balances	<u>2,997,645</u>	<u>2,997,645</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>\$ 3,743,095</u>	<u>\$ 3,743,095</u>

TOWN OF ABINGDON, VIRGINIA
RECONCILIATION TO THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
Year Ended June 30, 2017

EXHIBIT 4

Total Fund Balances per Exhibit 3-Balance Sheet-Governmental Funds **\$ 2,997,645**

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

Capital assets used in governmental activities are not current
financial resources and, therefore, are not reported in the
governmental funds. 9,093,991

Other long-term assets are not available to pay for current-period
expenditures and, therefore, are deferred in the funds. 142,032

Long-term liabilities are not due and payable in the current
period and, therefore, are not reported in the funds.
Bonds payable, net of premiums and discounts -
Notes payable (1,083,595)
Accrued interest payable (8,661)
Capital leases payable -
Other post-employment benefits (202,380)
Compensated Absences (205,949)

Financial statement elements related to pensions are applicable to
future periods, and therefore, are not reported in the funds.
Deferred outflows of resources for 2017 employer contributions 212,744
Deferred outflows (inflows) of resources for the net difference between
projected and actual earnings on pension plan investments 285,446
Net pension liability (2,002,192)

Net Position of Governmental Activities \$ 9,229,081

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
Year Ended June 30, 2017

EXHIBIT 5

		<u>TOTAL</u>
	<u>General</u>	<u>June 30, 2017</u>
REVENUES:		
General property taxes	\$ 1,048,789	\$ 1,048,789
Other local taxes	1,686,976	1,686,976
Permits, privilege fees and regulatory licenses	5,878	5,878
Fines and forfeitures	12,558	12,558
Revenue from use of money and property	19,452	19,452
Charges for services	450,850	450,850
Miscellaneous	43,786	43,786
Recovered costs	133,237	133,237
Intergovernmental	2,839,147	2,839,147
Total Revenues	<u>6,240,673</u>	<u>6,240,673</u>
EXPENDITURES:		
Current:		
General government administration	849,769	849,769
Public safety	2,102,456	2,102,456
Public works	2,206,617	2,206,617
Health and welfare	34,168	34,168
Parks, recreation and cultural	1,518,415	1,518,415
Community development	-	-
Debt Service:		
Principle retirement	132,072	132,072
Interest	22,433	22,433
Total Expenditures	<u>6,865,930</u>	<u>6,865,930</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(625,257)</u>	<u>(625,257)</u>
OTHER FINANCING SOURCES (USES):		
Sale of property	25,913	25,913
Insurance recoveries	24,680	24,680
Loan proceeds	630,000	630,000
Transfers in (out)	-	-
Total Other Financing Sources (Uses)	<u>680,593</u>	<u>680,593</u>
 Net Change in Fund Balance	 55,336	 55,336
FUND BALANCE AT JULY 1	<u>2,942,309</u>	<u>2,942,309</u>
FUND BALANCE AT JUNE 30	<u><u>\$ 2,997,645</u></u>	<u><u>\$ 2,997,645</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, 2017

EXHIBIT 6

	<u>General Fund</u>
Net Change in Fund Balance Governmental Fund:	\$ 55,336
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	2,369,400
Depreciation expense	<u>(417,570)</u>
	<u>1,951,830</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,511
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	132,072
Capital lease	-
Proceeds from debt	(630,000)
Proceeds from capital lease	<u>-</u>
	<u>(497,928)</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	(7,249)
Compensated absences	4,674
Other post-employment benefits	<u>15,037</u>
	<u>12,462</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	212,744
Pension expense	<u>(324,904)</u>
	<u>(112,160)</u>
Change in Net Position of Governmental Activities	<u>\$ 1,414,051</u>

TOWN OF BIG STONE GAP, VIRGINIA
BALANCE SHEET
PROPRIETARY FUNDS
June 30, 2017

EXHIBIT 7

	Water Fund	Sewer Fund	TOTAL
<u>ASSETS</u>			
Cash and cash equivalents	\$ 296,542	\$ 1,130,068	\$ 1,426,610
Receivables (Net of Allowance for Uncollectibles):			
Accounts	223,597	111,331	334,928
Accrued interest	-	-	-
Due from other funds	-	1,581,435	1,581,435
Due from other governmental units	25,000	-	25,000
Prepaid expenses	-	-	-
Restricted Assets:			
Cash	1,103,342	411,906	1,515,248
Land	810,000	70,000	880,000
Capital assets, net	16,688,377	10,314,365	27,002,742
	<u>19,146,858</u>	<u>13,619,105</u>	<u>32,765,963</u>
Total Assets			
	<u>19,146,858</u>	<u>13,619,105</u>	<u>32,765,963</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Items related to measurement of net pension liability	95,604	44,989	140,593
Pension contributions subsequent to measurement date	71,254	33,531	104,785
Total Deferred Outflows of Resources	166,858	78,520	245,378
	<u>166,858</u>	<u>78,520</u>	<u>245,378</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	<u>\$ 19,313,716</u>	<u>\$ 13,697,625</u>	<u>\$ 33,011,341</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 54,814	\$ 33,752	\$ 88,566
Accrued wages and liabilities	21,314	10,320	31,634
Payable From Restricted Assets:			
Customer deposits	133,700	-	133,700
Due to other funds	2,831,475	293,851	3,125,326
Accrued interest payable	15,169	3,301	18,470
Bonds and notes payable	400,486	303,675	704,161
Compensated absences	31,460	9,252	40,712
Total Current Liabilities	3,488,418	654,151	4,142,569
	<u>3,488,418</u>	<u>654,151</u>	<u>4,142,569</u>
Noncurrent liabilities:			
Bonds and notes payable	9,186,549	4,321,803	13,508,352
OPEB liability	63,550	26,622	90,172
Compensated absences	66,889	22,216	89,105
Net pension liability	670,584	315,569	986,153
Total Noncurrent Liabilities	9,987,572	4,686,210	14,673,782
	<u>9,987,572</u>	<u>4,686,210</u>	<u>14,673,782</u>
Total Liabilities	13,475,990	5,340,361	18,816,351
	<u>13,475,990</u>	<u>5,340,361</u>	<u>18,816,351</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related deferrals	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<u>NET POSITION</u>			
Net investment in capital assets	7,911,342	5,758,887	13,670,229
Restricted-Debt Service	294,875	411,906	706,781
Unrestricted	(2,368,491)	2,186,471	(182,020)
	<u>5,837,726</u>	<u>8,357,264</u>	<u>14,194,990</u>
Total Net Position			
	<u>5,837,726</u>	<u>8,357,264</u>	<u>14,194,990</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
	<u>\$ 19,313,716</u>	<u>\$ 13,697,625</u>	<u>\$ 33,011,341</u>

TOWN OF BIG STONE GAP, VIRGINIA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2017

EXHIBIT 8

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Water rents	\$ 2,600,716	\$ -	\$ 2,600,716
Sewer rents	-	1,409,638	1,409,638
Sale of labor and materials	6,426	-	6,426
Water and sewer tap fees	16,450	5,700	22,150
Miscellaneous	594	-	594
	<u>2,624,186</u>	<u>1,415,338</u>	<u>4,039,524</u>
Total Operating Revenues			
	<u>2,624,186</u>	<u>1,415,338</u>	<u>4,039,524</u>
OPERATING EXPENSES:			
Personal services	619,506	343,571	963,077
Fringe benefits	276,442	188,453	464,895
Contractual services	53,572	26,458	80,030
Other charges	656,822	319,517	976,339
Depreciation	631,092	623,932	1,255,024
	<u>2,237,434</u>	<u>1,501,931</u>	<u>3,739,365</u>
Total Operating Expenses			
	<u>2,237,434</u>	<u>1,501,931</u>	<u>3,739,365</u>
Operating Income (Loss)	<u>386,752</u>	<u>(86,593)</u>	<u>300,159</u>
NON-OPERATING REVENUES (EXPENSES) :			
Grant revenue	50,803	-	50,803
Interconnect revenue	20,971	-	20,971
Interest income	3,631	2,952	6,583
Interest expense	(340,865)	(68,380)	(409,245)
	<u>(265,460)</u>	<u>(65,428)</u>	<u>(330,888)</u>
Total Non-Operating Revenue (Expenses)			
	<u>(265,460)</u>	<u>(65,428)</u>	<u>(330,888)</u>
CHANGE IN NET POSITION	<u>121,292</u>	<u>(152,021)</u>	<u>(30,729)</u>
NET POSITION AT JULY 1	<u>5,716,434</u>	<u>8,509,285</u>	<u>14,225,719</u>
NET POSITION AT JUNE 30	<u>\$ 5,837,726</u>	<u>\$ 8,357,264</u>	<u>\$ 14,194,990</u>

TOWN OF BIG STONE GAP, VIRGINIA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 Year Ended June 30, 2017

EXHIBIT 9

	Water Fund	Sewer Fund	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 2,595,914	\$ 1,414,114	\$ 4,010,028
Cash payments to suppliers for goods and services	(798,465)	(337,724)	(1,136,189)
Cash payments to employees for services	(902,001)	(555,756)	(1,457,757)
Other operating income	23,470	5,700	29,170
NET CASH PROVIDED BY OPERATING ACTIVITIES	918,918	526,334	1,445,252
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Increase (decrease) in customer deposits	5,100	-	5,100
(Increase) decrease in due from other funds/governments	-	-	-
Increase (decrease) in due to other funds	-	-	-
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	5,100	-	5,100
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
(Increase) decrease in capital assets	(198,493)	(110,072)	(308,565)
(Increase) decrease in construction in progress	21,558	-	21,558
Principle paid on revenue bond maturities and equipment contracts	(389,434)	(302,178)	(691,612)
Principle advances from bond and note proceeds	-	-	-
Contributed capital and Grant revenue	46,774	-	46,774
Interest paid on revenue bonds and equipment contracts	(342,740)	(68,749)	(411,489)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(862,335)	(480,999)	(1,343,334)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	3,631	2,952	6,583
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,631	2,952	6,583
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	65,314	48,287	113,601
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,334,570	1,493,687	2,828,257
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,399,884	\$ 1,541,974	\$ 2,941,858
Displayed as:			
Cash and Cash Equivalents-Unrestricted	\$ 296,542	\$ 1,130,068	\$ 1,426,610
Restricted Cash	1,103,342	411,906	1,515,248
	\$ 1,399,884	\$ 1,541,974	\$ 2,941,858
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 386,752	\$ (86,593)	\$ 300,159
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	631,092	623,932	1,255,024
Provision for compensated absences	(12,790)	(14,987)	(27,777)
Pension expense net of employer contributions	44,333	18,822	63,155
Change in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:			
(Increase) decrease in accounts receivable	(4,802)	4,476	(326)
(Increase) decrease in prepaid expenses	181	102	283
Increase (decrease) in accounts payable	(88,251)	8,149	(80,102)
Increase (decrease) in wages payable	(34,112)	(23,495)	(57,607)
Increase (decrease) in OPEB liability	(3,485)	(4,072)	(7,557)
TOTAL ADJUSTMENTS	532,166	612,927	1,145,093
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 918,918	\$ 526,334	\$ 1,445,252

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

The accompanying notes are an integral part of the financial statements

June 30, 2017

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, 2017

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

Budgeting and Budgetary Accounting

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

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

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

Encumbrances and Commitments

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

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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, 2017.

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 Obligations

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.

June 30, 2017

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, 2017

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

Restricted Assets

Included in restricted cash are amounts held in debt service reserve accounts in the amounts of \$294,875 for the Water Fund and \$411,906 for the Sewer Fund.

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

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.

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 contributions made after the net pension liability measurement date of June 30, 2016 and prior to the reporting date of June 30, 2017, have been reported as deferred outflows of resources in the Statement of Net Position as of June 30, 2017. This will be applied to the net pension liability in the next fiscal year.

Differences between the projected and actual pension earnings as of the actuarial measurement date of June 30, 2016 have been reported as a deferred outflow of resources. This difference will be recognized in pension expense over a closed five-year period.

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

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

2. **RECEIVABLES**

Receivables at June 30 are as follows:

	Governmental Activities	Business-Type Activities
Receivables		
Taxes	\$ 273,159	\$ -
Accounts	35,660	495,754
Other	68,008	-
Gross Receivables	376,827	495,754
Less:		
Allowance for uncollectibles	(118,514)	(160,826)
Net total receivables	\$ 258,313	\$ 334,928

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$279,340 at June 30, 2017, and is composed of the following:

General Fund:	
Allowance for uncollectible property taxes	\$ 106,946
Allowance for uncollectible garbage fees	11,568
Total General Fund	\$ 118,514
Water and Sewer Fund:	
Allowance for uncollectible water fee billings	\$ 107,367
Allowance for uncollectible sewer fee billings	53,459
Total Water and Sewer Fund	\$ 160,826

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 (the Virginia LGIP, a 2a-7 like pool). 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.

June 30, 2017

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

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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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, 2017, all of the Town's investments are held in a bank's trust department in the Town's name.

Fair Value Measurements:

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

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

Deposits and investments:

Cash on hand	\$ 600
Deposits	2,291,499
Investments	2,061,081
	<u>\$ 4,353,180</u>

Statement of net position:

Cash and cash equivalents	\$ 2,373,925
Investments	-
Restricted cash and cash equivalents	1,979,255
	<u>\$ 4,353,180</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, 2017

5. DUE FROM OTHER GOVERNMENTAL UNITS

Commonwealth of Virginia:

Local sales tax	\$ 51,627	
VDH grant	25,000	
DMV grant	3,070	
Communication tax	29,671	
VDOT grants	<u>388,811</u>	
Total Commonwealth of Virginia		\$ 498,179

Wise County:

Coal severance taxes	\$ 5,998	
Coal haul road funds	50,000	
Court fines/transfer fees	<u>356</u>	
Total Wise County		<u>56,354</u>

Total Due From Other Governmental Units \$ 554,533

6. INTERFUND OBLIGATIONS

	Due From	Due To
General Fund:		
Water Fund	\$ 1,250,040	
Sewer Fund	293,851	
Water Fund:		
General Fund		1,250,040
Sewer Fund		1,581,435
Sewer Fund:		
General Fund		293,851
Water Fund	<u>1,581,435</u>	
Totals	<u>\$ 3,125,326</u>	<u>\$ 3,125,326</u>

7. CAPITAL ASSETS

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

Governmental activities:

General government	\$ 91,794
Public safety	144,069
Public works	75,495
Parks, recreation and cultural	<u>106,213</u>
Total depreciation expense – governmental activities	<u>\$ 417,571</u>

Business-type activities:

Water and sewer	\$ 1,255,023
Total depreciation expense – business-type activity	<u>\$ 1,255,023</u>

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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	\$ 3,419,785	\$ 305,990	\$ -	\$ 3,725,775
Infrastructure	5,735,768	1,412,387	-	7,148,155
Equipment	3,306,865	788,791	(282,887)	3,812,769
Total Capital Assets, Depreciable	<u>\$ 12,462,418</u>	<u>\$ 2,507,168</u>	<u>\$ (282,887)</u>	<u>\$ 14,686,699</u>
Less accumulated depreciation for				
Buildings and improvements	\$ 1,733,115	\$ 108,573	\$ -	\$ 1,841,688
Infrastructure	3,914,531	92,887	-	4,007,418
Equipment	2,381,431	216,111	(277,635)	2,319,907
Total accumulated depreciation	<u>8,029,077</u>	<u>417,571</u>	<u>(277,635)</u>	<u>8,169,013</u>
Total Capital Assets, depreciable, net	<u>\$ 4,433,341</u>	<u>\$ 2,089,597</u>	<u>\$ (5,252)</u>	<u>\$ 6,517,686</u>
Capital assets, non-depreciable				
Land	\$ 2,552,135	\$ -	\$ -	\$ 2,552,135
Construction in progress	161,936	1,452,192	(1,589,959)	24,169
Total Capital Assets, Non-depreciable	<u>\$ 2,714,071</u>	<u>\$ 1,452,192</u>	<u>\$ (1,589,959)</u>	<u>\$ 2,576,304</u>
Business Type Activities	Ending Balance	Increases	Decreases	Ending Balance
Capital assets, depreciable				
Buildings and improvements	\$ 337,615	\$ -	\$ -	\$ 337,615
Improvements	47,789,441	164,052	(498)	47,952,995
Equipment	1,464,238	144,514	-	1,608,752
Total Capital Assets, Depreciable	<u>\$ 49,591,294</u>	<u>\$ 308,566</u>	<u>\$ (498)</u>	<u>\$ 49,899,362</u>
Less accumulated depreciation for				
Buildings and improvements	\$ 218,418	\$ 3,653	\$ -	\$ 222,071
Improvements	20,343,639	1,183,012	(498)	21,526,153
Equipment	1,164,603	68,358	-	1,232,961
Total accumulated depreciation	<u>21,726,660</u>	<u>1,255,023</u>	<u>(498)</u>	<u>22,981,185</u>
Total Capital Assets, depreciable, net	<u>\$ 27,864,634</u>	<u>\$ (946,457)</u>	<u>\$ -</u>	<u>\$ 26,918,177</u>
Capital assets, non-depreciable				
Land	\$ 880,000	\$ -	\$ -	\$ 880,000
Construction in progress	106,124	90,396	(111,955)	84,565
Total Capital Assets, Non-depreciable	<u>\$ 986,124</u>	<u>\$ 90,396</u>	<u>\$ (111,955)</u>	<u>\$ 964,565</u>

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

9. LONG-TERM DEBT

The annual requirements to amortize governmental debt outstanding as of June 30, 2017, are as follows:

Governmental Activities		
Year Ending June 30,	Notes	
	Principal	Interest
2018	\$ 143,519	\$ 38,101
2019	118,079	36,244
2020	122,199	32,139
2021	106,703	28,175
2022	63,809	24,979
2023-2027	251,611	90,091
2028-2032	277,675	35,092
Totals	<u>\$ 1,083,595</u>	<u>\$ 284,821</u>

The annual requirements to amortize proprietary debt outstanding as of June 30, 2017, are as follows:

Years Ending June 30,	General Obligation Refunding		General Obligation Bond		Water Revenue Bond		General Obligation Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 159,623	\$ 9,289	\$ 42,452	\$ 108,928	\$ 38,129	\$ -	29,906	-
2019	162,880	5,870	44,236	107,144	38,129	-	29,906	-
2020	166,952	2,374	46,096	105,284	38,129	-	29,906	-
2021	28,504	302	48,034	103,346	38,129	-	29,906	-
2022	-	-	50,053	101,327	38,129	-	149,530	-
2023-2027	-	-	283,655	473,246	190,645	-	149,530	-
2028-2032	-	-	348,505	408,395	190,645	-	149,530	-
2033-2037	-	-	428,181	328,718	133,454	-	89,714	-
2038-2042	-	-	526,075	230,824	-	-	-	-
2043-2047	-	-	646,349	110,550	-	-	-	-
2048-2052	-	-	196,243	5,794	-	-	-	-
Totals	<u>\$ 517,959</u>	<u>\$ 17,835</u>	<u>\$ 2,659,879</u>	<u>\$ 2,083,556</u>	<u>\$ 705,389</u>	<u>\$ -</u>	<u>\$ 657,928</u>	<u>\$ -</u>

Years Ending June 30,	Water Revenue Bond		Water Revenue Bond		General Obligation Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 67,930	\$ 149,053	\$ 25,248	\$ 55,032	\$ 8,422	\$ 10,256
2019	70,962	146,150	26,375	53,905	8,676	10,001
2020	74,129	143,118	27,553	52,727	8,938	9,739
2021	77,438	139,951	28,782	51,498	9,209	9,469
2022	80,895	136,642	30,067	50,213	9,487	9,190
2023-2027	461,973	628,167	171,706	229,692	51,913	41,474
2028-2032	574,706	520,251	213,608	187,791	60,247	32,954
2033-2037	714,949	386,001	265,734	135,666	69,919	23,468
2038-2042	889,414	218,990	330,580	70,820	81,143	12,243
2043-2047	358,907	34,873	149,634	6,747	25,821	1,360
2048-2052	-	-	-	-	-	-
Totals	<u>\$ 3,371,303</u>	<u>\$ 2,503,196</u>	<u>\$ 1,269,287</u>	<u>\$ 894,091</u>	<u>\$ 333,775</u>	<u>\$ 160,154</u>

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

9. LONG-TERM DEBT (Continued)

Years Ending June 30,	Water Revenue Note		Water Revenue Note		Total Water Fund Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 28,777	\$ 2,780	\$ -	\$ -	\$ 400,486	\$ 335,358
2019	30,194	1,364	803	20	412,162	324,434
2020	11,741	134	-	-	403,444	313,376
2021	-	-	-	-	260,002	304,566
2022	-	-	-	-	238,537	297,372
2023-2027	-	-	-	-	1,309,423	1,372,579
2028-2032	-	-	-	-	1,537,242	1,149,391
2033-2037	-	-	-	-	1,761,766	873,853
2038-2042	-	-	-	-	1,887,026	532,877
2043-2047	-	-	-	-	1,180,704	153,530
2048-2052	-	-	-	-	196,243	5,794
Totals	\$ 70,712	\$ 4,278	\$ 803	\$ 20	\$9,587,035	\$5,663,130

Years Ending June 30,	General Obligation Refunding		Wastewater Revenue		General Obligation Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 36,378	\$ 2,117	\$ 39,342	\$ -	\$ 22,234	\$ 65,126
2019	37,120	1,338	39,342	-	23,229	64,131
2020	38,048	541	39,342	-	24,269	63,091
2021	6,495	69	39,342	-	25,526	61,834
2022	-	-	39,342	-	26,498	60,862
2023-2027	-	-	137,698	-	151,552	285,247
2028-2032	-	-	-	-	188,637	248,163
2033-2037	-	-	-	-	234,893	201,907
2038-2042	-	-	-	-	292,219	144,582
2043-2047	-	-	-	-	363,711	73,089
2048-2052	-	-	-	-	141,234	5,579
Totals	\$ 118,041	\$ 4,065	\$ 334,408	\$ -	\$ 1,494,002	\$ 1,273,611

Years Ending June 30,	General Obligation Refunding		General Obligation Refunding		Total Sewer Fund Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 201,062	\$ -	\$ 4,659	\$ -	\$ 303,675	\$ 67,243
2019	201,062	-	4,659	-	305,413	65,469
2020	201,062	-	4,659	-	307,380	63,632
2021	201,062	-	4,659	-	277,086	61,903
2022	201,062	-	4,659	-	271,562	60,862
2023-2027	1,005,310	-	23,295	-	1,317,857	285,247
2028-2032	603,183	-	18,634	-	810,451	248,163
2033-2037	-	-	-	-	234,893	201,907
2038-2042	-	-	-	-	292,219	144,582
2043-2047	-	-	-	-	363,711	73,089
2048-2052	-	-	-	-	141,231	5,579
Totals	\$2,613,803	\$ -	\$ 65,224	\$ -	\$ 4,625,478	\$ 1,277,676

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

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, 2017:

	INSTALLMENT NOTE	GENERAL OBLIGATION & REVENUE BONDS		TOTAL
	Governmental Notes	Water Bond	Sewer Bond	
Bonds/loans payable at July 1, 2016	\$ 585,667	\$ 9,976,469	\$ 4,927,656	\$ 15,489,792
Issuances	630,000	803	-	630,803
Retirements	(132,072)	(390,237)	(302,178)	(824,487)
Bonds/loans payable at June 30, 2017	<u>\$ 1,083,595</u>	<u>\$ 9,587,035</u>	<u>\$ 4,625,478</u>	<u>\$ 15,296,108</u>

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, 2017:

	Compensated Absences	
	Governmental Fund Types	Propriety Fund Types
Payable at July 01, 2016	\$210,623	\$157,593
Additions	101,012	80,298
Reductions	(120,321)	(108,074)
Payable at June 30, 2017	<u>\$191,314</u>	<u>\$129,817</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 is due on March 1, 2032.

\$ 141,885

Notes Payable:

\$105,000 governmental fund note payable issued November 28, 2012, to Rural Development with interest of 3.5% for the acquisition of police vehicles. Monthly payments combined principal and interest of \$1,911 commencing December 28, 2012, and continuing monthly thereafter for a period of five years.

3,779

\$75,000 governmental fund note payable issued June 18, 2016, to Powell Valley National Bank with interest of 2.50% for the acquisition of a police vehicles. Annual payments of \$2,166 commencing July 18, 2016, and continuing annually thereafter for a period of three years.

25,603

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

Details of Long-Term Indebtedness

Governmental Fund:

\$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. 65,079

\$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. 54,996

\$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, 2017, and continuing annually thereafter for a period of four years. 56,766

\$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. 105,487

\$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, 2017, and continuing annually for a period of four years. 80,000

\$550,000 governmental fund note payable issued April 16, 2017, 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, 2018, and continuing annually for a period of fifteen years. 550,000

TOTAL GOVERNMENTAL FUND LONG-TERM DEBT **\$1,083,595**

Enterprise Fund:

General Obligation Bonds:

\$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. \$ 517,959 \$ 118,041

\$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- 65,224

\$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. 657,928 -0-

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

9. **LONG-TERM DEBT (Continued)**
Details of Long-Term Indebtedness

Enterprise Fund:

Water Sewer

\$2,900,000 general obligation and water revenue bond issued November 5, 2008, to Rural Development, with interest at 4.125%. Interest only payable on November 5, 2009, and thereafter payable in installments of combined interest and principal of \$12,615 beginning December 5, 2010, and continuing monthly thereafter for a period of 39 years until paid. Each payment is to be applied first to accrued interest and then to principal.	2,659,879	-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-	2,613,803
\$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.	333,775	-0-
\$1,614,000 general obligation and sewer revenue bond issued March 18, 2009, to Rural Development, with interest at 4.375%. Interest only payable on March 18, 2010, and 2011, and thereafter payable in installments on combined interest and principal of \$7,280 beginning April 18, 2011, and continuing monthly thereafter for a period of 40 years until paid. Each payment is to be applied first to accrued interest and then to principal.	-0-	1,494,002
Revenue Bonds:		
\$4,000,000 water revenue bonds issued May 27, 2004, to Rural Development, with interest at 4.375%. Interest is payable only on May 27, 2005, and thereafter payable in installments on combined interest and principal of \$17,840 beginning June 27, 2005, and continuing monthly thereafter for a period of 39 years until paid. Each payment is to be applied first to accrued interest and then to principal.	3,371,303	-0-
\$1,148,460 water revenue bonds issued June 16, 2005 to Virginia Resource Authority, with interest at 0% payable in installments of \$19,141 beginning July 1, 2006, and continuing semi-annually on January 1 and July 1 thereafter for a period of 30 years until paid.	705,389	-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-	334,408
\$250,041 water revenue note issued November 4, 2009 to Powell Valley National Bank, with interest at 4.75%. Combined interest and principle payments of \$2,630 are due in monthly installments beginning December 4, 2009 and continuing for a period of 10 years until paid.	70,712	-0-

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

9. **LONG-TERM DEBT (Continued)**
Details of Long-Term Indebtedness

Enterprise Fund:

Water

Sewer

\$1,500,000 water revenue bonds issued June 23, 2004 to Rural Development with interest at 4.375%. Interest is payable only on June 23, 2005, and thereafter payable in installments on combined interest and principle of \$6,690 beginning July 23, 2005, and continuing monthly thereafter for a period of 40 years until paid. Each payment is to be applied first to accrued interest and then to principle.

1,269,287

-0-

\$75,000 water revenue bonds issued March 14, 2017, \$802.78 disbursed as of June 30, 2017, to Virginia Resource Authority, with interest at 2.5% payable in installments of \$1,804.62 beginning May 1, 2018 and continuing semi-annually on May 1 and November 1 thereafter for a period of 30 years until paid.

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TOTAL ENTERPRISE FUNDS LONG-TERM DEBT

\$ 9,587,035 \$4,625,478

10. **FUND BALANCES—GOVERNMENTAL FUNDS**

As of June 30, 2017, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	\$ —	\$ —	\$ —
Due from internal funds	1,543,891	—	1,543,891
Restricted:			
Law Enforcement	343,264	—	343,264
Glencoe Cemetery	28,054	—	28,054
Community Development	48,995	—	48,995
Committed:			
General Administrative	-	—	-
Law Enforcement	85,625	—	85,625
Public Works	7,600	—	7,600
Parks and Recreation	135,400	—	135,400
Assigned:			
Town Treasurer/Clerk	380	—	380
Law Enforcement	18,336	—	18,336
Fire Department	20,958	—	20,958
Public Works	212,945	—	212,945
Parks and Recreation	37,993	—	37,993
Visitors' Center	85,915	—	85,915
Cemeteries	499	—	499
Greenbelt Phase IV	173,830	—	173,830
Unassigned	253,960	—	253,960
Total fund balances	\$ 2,997,645	\$ —	\$ 2,997,645

June 30, 2017

10. FUND BALANCES—GOVERNMENTAL FUNDS (Continued)

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

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

The Town has outstanding accrued general leave pay totaling \$191,314 in the Governmental Activities, and \$129,817 in the Water and Sewer Funds.

12. PENSION PLAN-AGENT MULTIPLE EMPLOYER

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 are pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria a 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, 2017

12. Pension Plan-Agent Multiple-Employer (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, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for 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.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
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. 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	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	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

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

12. Pension Plan-Agent Multiple-Employer (Continued)

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 not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	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 not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	employees Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid 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 pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. 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 Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	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.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Creditable Service Same as Plan 1.	Creditable Service Defined Benefit Component: Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

12. Pension Plan-Agent Multiple-Employer (Continued)

		<u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	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 creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. <u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined 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 by law until age 70½.

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

12. Pension Plan-Agent Multiple-Employer (Continued)

Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	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 employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85% Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier <u>Defined Benefit Component:</u> 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: Not applicable. Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> 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 <u>Defined Benefit Component:</u> VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable.

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

12. Pension Plan-Agent Multiple-Employer (Continued)

		<u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> 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 creditable service or age 50 with at least 10 years of creditable service. Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> 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%. <u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement	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%. <u>Eligibility:</u> Same as Plan 1	Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2. <u>Defined Contribution Component:</u> Not applicable. <u>Eligibility:</u> Same as Plan 1 and Plan 2.

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

12. Pension Plan-Agent Multiple-Employer (Continued)

date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. <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 under the Virginia Sickness and Disability Program (VSDP). • 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.	<u>Exceptions to COLA Effective Dates:</u> Same as Plan 1	<u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.
<u>Disability Coverage</u> 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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	<u>Disability Coverage</u> 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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	<u>Disability Coverage</u> 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

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

12. Pension Plan-Agent Multiple-Employer (Continued)

		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 creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost. <u>Defined Contribution Component:</u> Not applicable.

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TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

12. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2015 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>53</u>
Inactive members:	
Vested inactive members	6
Non-vested Inactive members	12
Inactive members active elsewhere in VRS	<u>24</u>
Total inactive members	42
Active members	<u>54</u>
Total covered employees	<u>149</u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town's contractually required contribution rate for the year ended June 30, 2017 was 17.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$317,529 and \$374,037 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

12. PENSION PLAN-AGENT MULTIPLE EMPLOYER (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, 2015, 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, 2016.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

12. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Town's retirement plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

12. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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:

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

12. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
	<u>100.00%</u>		<u>5.83%</u>
	Inflation		<u>2.50%</u>
	* Expected arithmetic nominal return		<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that system member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Town's retirement plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

12. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

Changes in Net Pension Liability

Balance at June 30, 2016	\$ 11,958,922	\$ 9,677,121	\$ 2,281,801
Changes for the year:			
Service Cost	238,286	-	238,286
Interest	810,200	-	810,200
Differences between expected and actual experience	186,519	-	186,519
Contributions - employer	-	285,769	(285,769)
Contributions - employee	-	88,684	(88,684)
Net investment income	-	160,213	(160,213)
Benefit payments, including refunds of employee contributions	(769,268)	(769,268)	-
Administrative expenses	-	(6,136)	6,136
Other changes	-	(69)	69
Net changes	465,737	(240,807)	706,544
Balance at June 30, 2017	\$ 12,424,659	\$ 9,436,314	\$ 2,988,345

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

The following presents the net pension liability of the Town using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1.00 % Decrease (6.00 %)</u>	<u>Current Discount Rate (7.00 %)</u>	<u>1.00 % Increase (8.00 %)</u>
Net Pension Liability	\$ 4,465,927	\$ 2,988,345	\$ 1,748,369

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

12. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

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

For the year ended June 30, 2017, the Town recognized pension expense of \$404,576. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 186,726	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	239,313	-
Employer contributions subsequent to the measurement date	317,529	-
Total	<u>\$ 743,568</u>	<u>\$ -</u>

\$317,529 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30

2018	\$ 101,931
2019	63,536
2020	159,943
2021	100,629
2022	-
Thereafter	-
	<u>\$ 426,039</u>

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan's is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-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, 2017, the Town reported a payable of \$34,209 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

13. OTHER POST-EMPLOYMENT BENEFITS

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

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

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2017, the Town's annual OPEB costs were as follows:

	Governmental Activities	Business-type Activities	Total
Annual required contribution	\$ 85,451	\$ 38,074	\$ 123,525
Interest on net OPEB obligation	9,362	4,172	13,534
Adjustment to annual required contribution	(40,238)	(17,928)	(58,166)
Annual OPEB cost	\$ 54,575	\$ 24,318	78,893
Contributions made (Age adjusted)	(70,205)	(31,282)	(101,487)
Increase in net OPEB obligation	(15,630)	(6,964)	(22,594)
Net OPEB obligation-beginning of year	217,417	97,729	315,146
Net OPEB obligation-end of year	<u>\$ 202,380</u>	<u>\$ 90,172</u>	<u>\$ 292,552</u>

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

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 85,451	82.3%	\$ 202,380
June 30, 2016	\$ 81,175	63.2%	\$ 217,417
June 30, 2015	\$ 68,365	54.3%	\$ 187,428

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

13. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2017	\$ 38,074	82.3%	\$ 90,172
June 30, 2016	\$ 39,757	63.2%	\$ 97,729
June 30, 2015	\$ 30,518	54.3%	\$ 83,258

Funding Status and Funding Progress

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

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

<u>Activity Type</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
Governmental	\$ -0-	\$ 778,190	\$ 778,190	0.00%	\$1,273,231	61.12%
Business-type	\$ -0-	\$ 366,207	\$ 366,207	0.00%	\$ 599,167	61.12%
Total	\$ -0-	\$1,144,397	\$1,144,397			

June 30, 2017

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

Actuarial Methods and Assumptions

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

The entry age normal cost method was used to determine liabilities under the alternative measurement method. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. Active employees are assumed to retire at age 61 which is the historical average age of retirement for employees of the Town. Active employees age 61 or older who have qualified postemployment benefits under the plan are assumed to retire in the first projected year. A healthcare plan that includes both retirees and active employees contains a blended rate. The rate used in the calculation is the age-adjusted premium less the contribution from the retiree or blended premium. The actuarial assumptions for the Town included: inflation at 2.0 and an investment rate of return of 5.0%. The expected rate of increase in healthcare insurance premiums is based on the Getzen model promulgated by Society of Actuaries. Using the level percent of payroll method, the payroll growth rate has been set to the inflation rate. Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics. The RP2000 Mortality Tables for Males and Females Project 10 years were used. Life expectancies that include partial years were rounded to the nearest whole year. The calculation of postemployment health insurance coverage for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables. The probability that an employee will remain employed until the assumed retirement age was determined using non-group specific age-based turnover data provided in Table 1 in paragraph 35b of GASB Statement 45. The unfunded accrued liability is being amortized over 30 years. The remaining amortization period at June 30, 2017 is 23 years.

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.

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

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

Funding Policy

The Town currently funds post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2017, the Town had not designated any funding for the OPEB liability.

TOWN OF BIG STONE GAP, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

14. 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 \$142,068 is comprised of the following:

Deferred Property Tax Revenue:

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$142,068 at June 30, 2017.

15. COMMITMENTS AND CONTINGENCIES

Litigation

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

16. SURETY BONDS

The Town of Big Stone Gap has a blanket bond with 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.

17. ENCUMBRANCES OUTSTANDING

Outstanding encumbrances of the proprietary fund types are not reflected in the accompanying financial statements as a reservation of retained earnings, in keeping with the fund type's measurement focus. However, Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund. At June 30, 2017, 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	\$ -	\$ -	\$ 392,647
General Fund for Other Purposes	-	-	120,108
Total Encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 512,755</u>

18. DEFICIT UNRESTRICTED NET POSITION

The Water Fund has a deficit unrestricted net position of \$2,368,491 at June 30, 2017. However, when considering the net investment in capital assets, while excluding restricted debt service amounts, the Water Fund has a positive overall net position of \$5,837,726.

June 30, 2017

19. **NEW ACCOUNTING PRONOUNCEMENTS**

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

In June 2016, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Town has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The Town adopted this Statement for fiscal year ending June 30, 2017.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments to disclose information about the nature and magnitude of tax abatements granted to a specific taxpayer, typically for the purpose of economic development. This does not cover programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The Statement became effective for the year ending June 30, 2017.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This statement became effective for the year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This Statement became effective for the year ending June 30, 2017.

20. **SUBSEQUENT EVENTS**

In September 2017, the Town refinanced four outstanding debts held by Rural Development. The refunding provided for the reclassification of prior general obligation debt to revenue bonds and released the existing debt reserve requirements. The details of the refunding are as follows:

- Debt refinanced with Sterling National Bank
 - Original \$2,900,000 general obligation/water revenue bond issued November 5, 2008 at 4.125% interest with outstanding principal at June 30, 2017 of \$2,659,879 to new interest rate of 3.29%
 - Original \$1,614,000 general obligation/sewer revenue bond issued March 18, 2009 at 4.375% interest with outstanding principal at June 30, 2017 of \$1,494,002 to new interest rate of 3.29%
- Debt refinanced with Powell Valley National Bank
 - Original \$4,000,000 water revenue bond issued May 27, 2004 at 4.375% interest with outstanding principal at June 30, 2017 of \$3,371,003 to new interest rate of 3.2%
 - Original \$1,500,000 water revenue bond issued June 23, 2004 at 4.375 interest with outstanding principal at June 30, 2017 of \$1,269,287 to new interest rate of 3.15%

June 30, 2017

21. **FUTURE ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2017, except for certain provisions regarding assumptions for plans with a measurement date that differs from the employer's reporting date – those provisions are effective for the year ending June 30, 2018.

GASB Statement No. 85, *Omnibus 2017*, addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics: (1) blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation, (2) measuring certain money market investments and participating interest-earning investment contracts at amortized cost, (3) timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus, (4) recognizing on-behalf payments for pension or OPEB in employer financial statements, (5) presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB, (6) classifying employer-paid member contributions for OPEB, (7) simplifying certain aspects of the alternative measurement method for OPEB, (8) accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. This Statement will be effective for the year ending June 30, 2018.

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, 2017

EXHIBIT 10

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
General property taxes	\$ 1,012,900	\$ 1,012,900	\$ 1,048,789	\$ 35,889
Other local taxes	1,662,600	1,662,600	1,686,976	24,376
Permits, privilege fees and regulatory licenses	3,200	3,200	5,878	2,678
Fines and forfeitures	20,150	20,150	12,558	(7,592)
Revenue from use of money and property	16,500	16,500	19,452	2,952
Charges for services	420,276	464,778	450,850	(13,928)
Miscellaneous	33,000	33,000	43,786	10,786
Recovered costs	121,300	121,300	133,237	11,937
Intergovernmental	3,003,512	3,317,672	2,839,147	(478,525)
Total Revenues	6,293,438	6,652,100	6,240,673	(411,427)
EXPENDITURES:				
General government administration	909,300	885,550	849,769	35,781
Public safety	1,493,548	2,272,486	2,102,456	170,030
Public works	1,903,270	2,555,319	2,206,617	348,702
Health and welfare	2,500	2,500	34,168	(31,668)
Parks, recreation and cultural	1,487,120	1,797,603	1,518,415	279,188
Community development	500,000	320,345	-	320,345
Debt Service	107,700	107,700	154,505	(46,805)
Total Expenditures	6,403,438	7,941,503	6,865,930	1,075,573
OTHER FINANCING SOURCES (USES):				
Sale of property	10,000	19,300	25,913	6,613
Insurance recoveries	-	10,500	24,680	14,180
Loan proceeds	-	80,000	630,000	550,000
Transfers in (out)	100,000	100,000	-	(100,000)
Prior Year Surplus	-	1,079,603	-	(1,079,603)
Total Other Financing Sources (Uses)	110,000	1,289,403	680,593	(608,810)
Net Change in Fund Balance	\$ -	\$ -	\$ 55,336	\$ 55,336

TOWN OF BIG STONE GAP, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS- PENSION AND OTHER POST-EMPLOYMENT BENEFITS
June 30, 2017

PENSION						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as of Percentage of Covered Payroll
June 30, 2016	9,622,990	12,676,181	3,053,191	75.91%	1,867,213	163.52%
June 30, 2015	9,384,560	12,133,239	2,748,679	77.35%	1,846,434	148.86%
June 30, 2014	8,852,164	11,717,322	2,865,158	75.55%	1,905,130	150.39%
June 30, 2013	8,145,133	11,218,710	3,073,577	72.60%	1,765,899	174.05%
June 30, 2012	7,958,070	11,021,635	3,063,565	72.20%	1,763,846	173.69%
June 30, 2011	8,162,610	10,448,025	2,285,415	78.13%	1,828,205	125.01%
June 30, 2010	8,151,894	9,862,454	1,710,560	82.66%	1,999,595	85.55%
June 30, 2009	8,335,239	8,942,112	606,873	93.21%	1,936,495	31.34%
June 30, 2008	8,469,322	8,265,814	(203,508)	102.46%	1,879,431	-10.83%
June 30, 2007	7,742,865	7,504,627	(238,238)	103.17%	1,800,884	-13.23%

OTHER POST-EMPLOYMENT BENEFITS						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as of Percentage of Covered Payroll
June 30, 2016	-	1,144,397	1,144,397	0.00%	1,872,398	61.12%
June 30, 2013	-	1,191,580	1,191,580	0.00%	1,932,029	61.68%
June 30, 2010	-	999,921	999,921	0.00%	2,001,635	49.96%

TOWN OF BIG STONE GAP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
JUNE 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 238,286	\$ 233,077	\$ 216,422
Interest	810,200	782,716	763,442
Changes of benefit terms	-	-	-
Differences between expected and actual experience	186,519	153,591	-
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(769,268)	(784,241)	(624,795)
Net change in total pension liability	465,737	385,143	355,069
Total pension liability - beginning	11,958,922	11,573,779	11,218,710
Total pension liability - ending	\$ 12,424,659	\$ 11,958,922	\$ 11,573,779
Plan fiduciary net position			
Contributions - employer	\$ 285,769	\$ 309,292	\$ 259,446
Contributions - employee	88,684	97,469	96,016
Net investment income	160,213	435,518	1,335,250
Benefit payments, including refunds of employee contributions	(769,268)	(784,241)	(624,795)
Administrative expense	(6,136)	(6,239)	(7,355)
Other	(69)	(89)	71
Net change in total pension liability	(240,807)	51,710	1,058,633
Total pension liability - beginning	9,677,121	9,625,411	8,566,778
Total pension liability - ending	\$ 9,436,314	\$ 9,677,121	\$ 9,625,411
Political subdivision's net pension liability - ending	\$ 2,988,345	\$ 2,281,801	\$ 1,948,368
Plan fiduciary net position as a percentage of the total pension liability	75.95%	80.92%	83.17%
Covered - employee payroll	\$ 1,867,213	\$ 1,846,434	\$ 1,932,503
Political subdivision's net pension liability as a percentage of covered-employee payroll	160.04%	123.58%	100.82%

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

**TOWN OF BIG STONE GAP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
JUNE 30, 2017**

Date	Contractually Required Contribution	Contributions Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2017	\$ 317,529	\$ 317,529	\$ -	\$ 1,802,098	17.62%
2016	374,037	374,037	-	1,867,213	20.03%
2015	310,210	310,210	-	1,846,434	16.80%
2014	259,244	259,244	-	1,905,130	13.61%
2013	248,864	248,864	-	1,765,899	14.09%
2012	240,927	240,927	-	1,763,846	13.66%
2011	239,185	239,185	-	1,828,205	13.08%
2010	175,565	175,565	-	1,999,595	8.78%
2009	171,130	171,130	-	1,936,495	8.84%
2008	206,725	206,725	-	1,879,431	11.00%

TOWN OF BIG STONE GAP
Notes to Required Supplemental Information
For the Year Ended June 30, 2017

Change of benefit terms - There have been no actuarially material changes to the Town's benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits.

Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increases by .25% per year

Largest 10 - LEOS

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increases by .25% per year

All Others (Non 10 Largest) - LEOS

- Update mortality table
- Adjustment to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND REVENUES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2017

SCHEDULE 1
Page 1

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
PRIMARY GOVERNMENT				
GENERAL FUND:				
Revenue from Local Sources:				
General Property Taxes:				
Real property taxes	\$ 770,000	\$ 770,000	\$ 798,048	\$ 28,048
Real and personal public service corporation property taxes	45,000	45,000	42,665	(2,335)
Personal property taxes	167,000	167,000	168,571	1,571
Machinery and tools taxes	600	600	511	(89)
Penalties and interest	30,300	30,300	38,994	8,694
Total General Property Taxes	<u>1,012,900</u>	<u>1,012,900</u>	<u>1,048,789</u>	<u>35,889</u>
Other Local Taxes:				
Local sales and use taxes	210,000	210,000	206,772	(3,228)
Cigarette taxes	45,000	45,000	52,355	7,355
Utility taxes	111,000	111,000	113,897	2,897
Business licenses taxes	267,600	267,600	275,851	8,251
Communication taxes	195,000	195,000	180,480	(14,520)
Motor vehicle licenses	75,000	75,000	56,215	(18,785)
Bank stock taxes	100,000	100,000	104,174	4,174
Hotel and motel room taxes	9,000	9,000	4,816	(4,184)
Restaurant food taxes	645,000	645,000	668,756	23,756
Coal road improvement taxes	5,000	5,000	23,660	18,660
Total Other Local Taxes	<u>1,662,600</u>	<u>1,662,600</u>	<u>1,686,976</u>	<u>24,376</u>
Permits, Privilege Fees, And Regulatory Licenses	<u>3,200</u>	<u>3,200</u>	<u>5,878</u>	<u>2,678</u>
Fines and Forfeitures	<u>20,150</u>	<u>20,150</u>	<u>12,558</u>	<u>(7,592)</u>
Revenue From Use Of Money and Property:				
Revenue from use of money	2,200	2,200	1,801	(399)
Revenue from use of property	14,300	14,300	17,651	3,351
Total Revenue From Use of Money and Property	<u>16,500</u>	<u>16,500</u>	<u>19,452</u>	<u>2,952</u>
Charges For Services:				
Fire services	7,000	7,000	7,985	985
Security	3,500	3,500	5,933	2,433
Charges for sanitation and waste removal	289,000	289,000	279,752	(9,248)
Charges for parks and recreation	34,700	34,700	49,543	14,843
Cemetery plots and materials	65,000	65,000	39,300	(25,700)
Police Restitution	21,076	65,578	68,337	2,759
Total Charges For Services	<u>420,276</u>	<u>464,778</u>	<u>450,850</u>	<u>(13,928)</u>
Miscellaneous Revenue	<u>33,000</u>	<u>33,000</u>	<u>43,786</u>	<u>10,786</u>
Recovered Costs	<u>121,300</u>	<u>121,300</u>	<u>133,237</u>	<u>11,937</u>
Total Revenue From Local Sources	<u>\$ 3,289,926</u>	<u>\$ 3,334,428</u>	<u>\$ 3,401,526</u>	<u>\$ 67,098</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, 2017

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	\$ 2,000	\$ 2,000	\$ 2,965	\$ 965
Mobile home titling taxes	4,000	4,000	9,244	5,244
Rolling stock taxes	10,000	10,000	8,599	(1,401)
Coal haul road revenue	50,000	50,000	50,000	-
Assistance to localities with police departments	138,800	138,800	143,360	4,560
Total Non-Categorical Aid	<u>204,800</u>	<u>204,800</u>	<u>214,168</u>	<u>9,368</u>
Other Categorical Aid:				
Street and highway maintenance	814,000	814,000	880,360	66,360
Litter control	3,000	3,000	2,778	(222)
Financial assistance to the arts	5,000	5,000	5,000	-
Fire programs fund	16,000	16,000	18,218	2,218
VTC Movie Marketing grant	-	-	11,508	11,508
VDOT (OTHER)	-	-	356,391	356,391
VDOT(GREENBELT)	738,700	738,700	511,248	(227,452)
VDOT(SIGNAL PROJECTS)	589,400	589,400	540,801	(48,599)
Total Other Categorical Aid	<u>2,166,100</u>	<u>2,166,100</u>	<u>2,326,304</u>	<u>160,204</u>
Total Revenue From The Commonwealth	<u>2,370,900</u>	<u>2,370,900</u>	<u>2,540,472</u>	<u>169,572</u>
Revenue From The Federal Government:				
Payment In Lieu of Taxes:				
Payment in lieu of property taxes	43,500	43,500	43,000	(500)
Total Payment in Lieu of Taxes	<u>43,500</u>	<u>43,500</u>	<u>43,000</u>	<u>(500)</u>
Categorical Aid:				
Edward Byrne Memorial Formula Grant	-	2,875	2,875	-
HIDTA Grant	89,112	166,881	104,937	(61,944)
Appalachian Regional Commission Grant	500,000	637,225	137,225	(500,000)
AGF Grant	-	84,191	-	(84,191)
Big Stone Gap DUI Grant	-	12,100	10,638	(1,462)
Total Categorical Aid	<u>589,112</u>	<u>903,272</u>	<u>255,675</u>	<u>(647,597)</u>
Total Revenue From The Federal Government	<u>632,612</u>	<u>946,772</u>	<u>298,675</u>	<u>(648,097)</u>
Prior Years Surplus	<u>-</u>	<u>1,079,603</u>	<u>-</u>	<u>1,079,603</u>
TOTAL GENERAL FUND	<u>6,293,438</u>	<u>7,731,703</u>	<u>6,240,673</u>	<u>668,176</u>
GRAND TOTALS - REVENUES - PRIMARY GOVERNMENT FUNDS	<u>\$ 6,293,438</u>	<u>\$ 7,731,703</u>	<u>\$ 6,240,673</u>	<u>\$ 668,176</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, 2017

SCHEDULE 2
Page 1

	Original Budget	Budget as Amended	Actual	Variance with Final Budget Positive (Negative)
<u>PRIMARY GOVERNMENT</u>				
GENERAL FUND:				
General Government Administration:				
Legislative:				
Town Council	\$ 43,100	\$ 35,508	\$ 33,230	\$ 2,278
Mayor	4,600	5,482	5,470	12
Total Legislative	47,700	40,990	38,700	2,290
General and Financial Administration:				
Town Manager	135,400	130,250	121,254	8,996
Legal and consulting	34,300	34,000	32,781	1,219
Independent auditor	20,000	16,200	15,900	300
Treasurer/Clerk	195,500	204,475	194,646	9,829
Accounting	71,500	73,825	71,768	2,057
Risk management	115,700	112,200	109,392	2,808
Automotive/motor pool	125,400	125,400	119,133	6,267
Central purchasing	89,200	66,200	65,184	1,016
Data processing	74,600	82,010	81,011	999
Total General and Financial Administration	861,600	844,560	811,069	33,491
Total General Government Administration	909,300	885,550	849,769	35,781
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	1,129,700	1,129,578	1,055,383	74,195
Drug task force	110,188	231,659	170,939	60,720
Total Law Enforcement and Traffic Control	1,239,888	1,361,237	1,226,322	134,915
Fire and Rescue Services:				
Volunteer fire department	230,800	891,889	858,864	33,025
Ambulance and rescue services	5,000	1,500	-	1,500
Total Fire and Rescue Services	235,800	893,389	858,864	34,525
Inspections:				
Building	17,860	17,860	17,270	590
Total Inspections	17,860	17,860	17,270	590
Total Public Safety	1,493,548	2,272,486	2,102,456	170,030
Public Works:				
Maintenance of Highways, Streets, Bridges and Sidewalks:				
Highways, streets, bridges, and sidewalks	1,297,070	1,861,787	1,623,279	238,508
Storm drainage	15,000	15,000	11,901	3,099
Street lights	83,000	121,500	108,193	13,307
Snow and ice removal	34,000	20,300	10,602	9,698
Curbs and guttering	25,000	17,000	12,000	5,000
Total Maintenance of Highways, Streets, Bridges, and Sidewalks	1,454,070	2,035,587	1,765,975	269,612

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2017

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	\$ 277,300	\$ 333,757	\$ 285,834	\$ 47,923
Total Sanitation and Waste Removal	<u>277,300</u>	<u>333,757</u>	<u>285,834</u>	<u>47,923</u>
 Maintenance of General Buildings and Grounds:				
General properties	<u>171,900</u>	<u>185,975</u>	<u>154,808</u>	<u>31,167</u>
Total Public Works	<u>1,903,270</u>	<u>2,555,319</u>	<u>2,206,617</u>	<u>348,702</u>
 Health and Welfare:				
Area agency on aging	2,500	2,500	2,500	-
Property tax relief for elderly	-	-	31,668	(31,668)
Total Welfare/Social Services	<u>2,500</u>	<u>2,500</u>	<u>34,168</u>	<u>(31,668)</u>
Total Health and Welfare	<u>2,500</u>	<u>2,500</u>	<u>34,168</u>	<u>(31,668)</u>
 Parks, Recreation and Cultural:				
Administration	493,550	767,283	645,140	122,143
Green Belt Trail	812,570	812,570	638,740	173,830
Maintenance	21,000	19,000	17,844	1,156
Swimming pool	48,900	43,850	41,662	2,188
Cemeteries	81,100	121,400	142,529	(21,129)
Farmers Market	1,000	1,000	1,000	-
Total Parks and Recreation	<u>1,458,120</u>	<u>1,765,103</u>	<u>1,486,915</u>	<u>278,188</u>
 Cultural Enrichment:				
Pro-Art	4,000	4,000	4,000	-
Lonesome Pine Arts and Crafts	4,000	4,000	4,000	-
Miscellaneous	18,500	22,000	21,000	1,000
Total Cultural Enrichment	<u>26,500</u>	<u>30,000</u>	<u>29,000</u>	<u>1,000</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>1,487,120</u>	<u>1,797,603</u>	<u>1,518,415</u>	<u>279,188</u>
 Community Development:				
Planning	-	-	-	-
Community development	500,000	320,345	-	320,345
Total Planning and Community Development	<u>500,000</u>	<u>320,345</u>	<u>-</u>	<u>320,345</u>
Total Community Development	<u>500,000</u>	<u>320,345</u>	<u>-</u>	<u>320,345</u>

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2017

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	\$ 107,700	\$ 107,700	\$ 132,072	\$ (24,372)
Interest	-	-	22,433	(22,433)
Total Debt Service	<u>107,700</u>	<u>107,700</u>	<u>154,505</u>	<u>(46,805)</u>
 TOTAL GENERAL FUND	 <u>6,403,438</u>	 <u>7,941,503</u>	 <u>6,865,930</u>	 <u>1,075,573</u>
 GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS	 <u>\$ 6,403,438</u>	 <u>\$ 7,941,503</u>	 <u>\$ 6,865,930</u>	 <u>\$ 1,075,573</u>
 OTHER FINANCING RESOURCES (USES):				
Sale of property	10,000	19,300	25,913	6,613
Insurance recoveries	-	10,500	24,680	14,180
Loan proceeds	-	80,000	630,000	550,000
Transfers in (out)	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total Other Financing Sources (Uses)	<u>110,000</u>	<u>209,800</u>	<u>680,593</u>	<u>670,793</u>
 Net Increase (Decrease) in Fund Balances	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 55,336</u>	 <u>\$ 55,336</u>

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF TREASURER'S ACCOUNTABILITY
June 30, 2017

SCHEDULE 3

ASSETS HELD BY THE TREASURER:

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

Checking:

Branch Bank and Trust	135,100	
Powell Valley National Bank	<u>2,120,302</u>	
Total Checking		2,255,402

Savings:

Powell Valley National Bank	<u>36,097</u>	
Total savings		36,097

Certificates of Deposit:

New Peoples Bank	102,787	
Powell Valley National Bank	<u>1,958,294</u>	
Total Certificates of Deposit		<u>2,061,081</u>

TOTAL CASH IN BANKS	<u>\$</u>	<u>4,352,580</u>
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TOTAL CASH	<u>\$</u>	<u>4,353,180</u>
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LIABILITIES OF THE TREASURER:

BALANCE OF TOWN FUNDS	<u>\$</u>	<u>4,353,180</u>
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TOWN OF BIG STONE GAP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

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.
- 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*
- 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.
- 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:
Highway Planning and Construction--CFDA No. 20.205
- 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 high-risk auditee.

B) FINDINGS - GENERAL PURPOSE FINANCIAL STATEMENTS AUDIT

NONE

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

NONE

TOWN OF BIG STONE GAP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

<u>FEDERAL GRANTOR/PROGRAM OR CLUSTER</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
DEPARTMENT OF AGRICULTURE:		
Direct Payments:		
DEPARTMENT OF JUSTICE		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2,875
High Intensity Drug Trafficking Areas Program	95.001	102,857
DEPARTMENT OF HOMELAND SECURITY		
Assistance to Firefighters Grant	97.044	84,191
DEPARTMENT OF TRANSPORTATION		
Highway Planning and Construction	20.205	1,049,504
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	8,489
ENVIRONMENTAL PROTECTION AGENCY		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	50,000
APPALACHIAN REGIONAL COMMISSION		
Appalachian Regional Development	23.002	38,299
TOTAL		<u>\$ 1,336,215</u>

The accompanying notes are an integral part of this schedule.

TOWN OF BIG STONE GAP
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017. 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 assets, 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.

STATISTICAL SECTION

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

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

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

TABLE 1

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Invested in capital assets, net of related debt	\$ 4,322,378	\$ 4,210,611	\$ 4,179,588	\$ 4,314,741	\$ 4,723,153	\$ 4,918,489	\$ 5,486,403	\$ 5,836,586	\$ 6,561,745	\$ 8,010,396
Restricted	-	-	-	200,446	454,022	420,705	498,697	433,933	426,648	407,415
Unrestricted	641,213	1,180,943	1,726,246	1,941,252	1,695,739	1,901,976	2,057,576	796,031	826,637	811,270
Total governmental activities net position	4,963,591	5,391,554	5,905,834	6,456,439	6,872,914	7,241,170	8,042,676	7,066,550	7,815,030	9,229,081
Business-type activities										
Invested in capital assets, net of related debt	8,569,892	9,003,225	10,708,386	12,017,827	12,940,723	13,790,758	14,356,841	14,104,154	13,946,633	13,670,229
Restricted	-	-	-	-	-	519,418	566,989	576,522	578,654	706,781
Unrestricted	893,538	1,491,719	1,601,325	1,857,691	1,733,800	266,697	86,526	(512,924)	(299,568)	(182,020)
Total business-type activities	9,463,430	10,494,944	12,309,711	13,875,518	14,674,523	14,576,873	15,010,356	14,167,752	14,225,719	14,194,990
Primary government										
Net investment in capital assets	12,892,270	13,213,836	14,887,974	16,332,568	17,663,876	18,709,247	19,843,244	19,940,740	20,508,378	21,680,625
Restricted	-	-	-	200,446	454,022	940,123	1,065,686	1,010,455	1,005,302	1,114,196
Unrestricted	1,534,751	2,672,662	3,327,571	3,798,943	3,429,539	2,168,673	2,144,102	283,107	527,069	629,250
Total primary government net position	\$ 14,427,021	\$ 15,886,498	\$ 18,215,545	\$ 20,331,957	\$ 21,547,437	\$ 21,818,043	\$ 23,053,032	\$ 21,234,302	\$ 22,040,749	\$ 23,424,071

- 1) Trend data is only available for the last ten fiscal years due to implementation of GASB 34
- 2) 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) 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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities:										
General government	\$ 750,048	\$ 793,862	\$ 853,099	\$ 752,749	\$ 725,015	\$ 825,324	\$ 994,202	\$ 1,051,566	\$ 1,012,786	\$ 880,827
Public safety	1,680,063	1,788,780	1,794,103	1,711,243	1,608,733	1,770,301	1,724,958	1,412,244	1,389,878	1,557,379
Public works	1,195,768	1,057,026	1,156,339	1,087,526	1,156,507	1,321,308	1,340,341	1,012,813	1,201,774	1,500,727
Health and welfare	18,697	19,267	27,639	27,892	29,003	34,398	32,417	25,299	33,439	34,168
Parks, recreation and cultural	502,666	429,139	483,823	492,531	558,739	654,966	574,353	582,673	621,698	880,711
Community development	37,805	132,685	8,907	133,659	202,116	155,970	2,700	15,850	23,460	-
Interest on long-term debt	7,455	3,479	3,727	2,907	2,568	16,125	15,805	15,573	18,297	29,682
Non-departmental	15,264	4,469	331	100	-	-	-	-	-	-
Total government activities expense	4,207,766	4,228,707	4,327,968	4,208,607	4,282,681	4,778,392	4,684,776	4,116,018	4,301,332	4,883,494
Business-Type Activities:										
Water	2,324,170	2,382,111	2,554,898	2,599,843	2,816,255	2,910,990	2,839,093	2,612,238	2,434,693	2,578,299
Wastewater	1,173,133	1,197,494	1,422,626	1,561,332	1,531,330	1,555,631	1,499,681	1,488,939	1,475,405	1,570,311
Total business-type activities expenses	3,497,303	3,579,605	3,977,524	4,161,175	4,347,585	4,466,621	4,338,774	4,101,177	3,910,098	4,148,610
Total primary government expenses	\$ 7,705,069	\$ 7,808,312	\$ 8,305,492	\$ 8,369,782	\$ 8,630,266	\$ 9,245,013	\$ 9,023,550	\$ 8,217,195	\$ 8,211,430	\$ 9,032,104
Program Revenues										
Governmental Activities:										
Charges for services	\$ 98,895	\$ 86,494	\$ 90,531	\$ 74,333	\$ 26,966	\$ 135,528	\$ 80,175	\$ 67,658	\$ 69,674	\$ 82,255
Public safety	293,745	302,458	298,475	299,240	299,072	294,572	289,306	288,848	283,125	279,752
Parks, recreation and culture	47,326	65,745	82,602	68,182	68,536	74,812	70,685	69,571	67,252	88,843
Community development	-	-	-	-	-	-	1,020	-	-	-
Operating grants and contributions	862,762	1,098,713	1,205,841	1,127,046	1,345,211	1,106,199	1,410,673	1,204,384	1,235,119	1,168,166
Capital grants and contributions	87	97,714	31,500	25,167	5,000	69,422	867,894	93,598	273,383	1,557,173
Total governmental activities program revenues	1,302,815	1,651,124	1,708,949	1,593,968	1,744,785	1,680,533	2,719,753	1,724,059	1,928,553	3,176,189
Business-Type Activities:										
Charges for services	1,619,820	2,451,915	2,590,632	2,448,059	2,578,259	2,523,599	2,583,230	2,495,051	2,506,629	2,624,186
Water	1,251,343	1,226,704	1,266,356	1,384,341	1,483,525	1,424,508	1,550,445	1,427,363	1,413,709	1,415,338
Wastewater	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	974,638	445,790	731,453	1,931,772	1,645,042	1,186,401	634,481	120,276	40,864	71,774
Total business-type activities program revenues	3,845,801	4,124,409	4,588,441	5,764,172	5,708,826	5,134,508	4,768,156	4,042,690	3,961,202	4,111,298
Total primary government program revenues	\$ 5,148,616	\$ 5,775,533	\$ 6,297,390	\$ 7,358,140	\$ 7,453,611	\$ 6,815,041	\$ 7,487,909	\$ 5,766,749	\$ 5,889,755	\$ 7,287,487
Net (Expense)/Revenue										
Governmental Activities:	\$ (2,904,951)	\$ (2,577,583)	\$ (2,619,019)	\$ (2,614,639)	\$ (2,537,896)	\$ (3,097,859)	\$ (1,965,023)	\$ (2,391,959)	\$ (2,372,779)	\$ (1,707,305)
Business-Type Activities:	348,498	544,804	610,917	1,602,997	1,361,241	667,887	429,382	(58,487)	51,104	(37,312)
Total primary government net (expense)/revenue	\$ (2,556,453)	\$ (2,032,779)	\$ (2,008,102)	\$ (1,011,642)	\$ (1,176,655)	\$ (2,429,972)	\$ (1,535,641)	\$ (2,450,446)	\$ (2,321,675)	\$ (1,744,617)

TABLE 2 cont.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	\$ 841,344	\$ 846,783	\$ 990,112	\$ 996,365	\$ 985,082	\$ 996,372	\$ 1,021,829	\$ 1,021,829	\$ 1,019,919	\$ 1,055,104
Local sales & use tax	237,048	246,805	397,989	278,650	210,028	200,693	188,713	188,713	206,284	206,772
Utility tax	121,292	122,002	120,987	121,666	114,829	108,135	120,608	120,608	114,522	113,897
Business license tax	258,033	259,342	255,043	257,689	272,666	262,667	224,685	224,685	269,032	275,851
Franchise license tax	-	-	-	-	-	-	-	-	-	-
Communication tax	216,926	203,829	197,280	202,260	191,746	212,801	192,354	192,354	185,028	180,480
Motor vehicle license	67,853	65,787	61,221	59,702	56,253	54,952	53,534	53,534	44,045	56,215
Bank stock tax	70,978	81,943	94,393	102,233	91,752	98,302	92,414	92,414	116,969	104,174
Cigarette tax	39,969	33,155	35,155	34,500	31,840	33,135	25,860	25,860	60,810	52,355
Hotel and motel room tax	10,836	12,866	13,038	11,500	10,576	10,695	7,902	7,902	6,293	4,816
Restaurant food tax	469,331	487,128	497,286	515,271	536,202	524,473	531,584	531,584	573,026	668,756
Coal road improvement tax	191,614	237,445	160,221	198,370	223,155	107,719	70,663	70,663	30,713	23,660
Unrestricted intergovernmental revenue	69,912	86,329	62,828	31,672	56,117	60,080	60,070	60,070	53,329	113,808
Unrestricted investment earnings	5,407	4,595	7,805	5,988	4,407	2,507	1,696	1,696	2,884	1,765
Rental of Town property	13,768	11,564	8,596	8,240	10,049	44,152	14,342	14,342	22,098	17,651
Gain on sale of capital assets	-	-	-	-	-	-	-	-	13,589	25,913
Other	255,960	248,148	346,326	190,321	223,921	198,484	160,275	160,275	402,718	220,139
Total governmental activities	2,870,271	2,947,721	3,248,280	3,014,427	3,018,623	2,915,167	2,766,529	2,766,529	3,121,259	3,121,356
Business-Type Activities:										
Unrestricted investment earnings	22,363	22,678	28,119	18,156	12,082	7,877	4,101	4,101	6,863	6,583
Other	-	-	-	-	-	-	-	-	-	-
Total business-type activities	22,363	22,678	28,119	18,156	12,082	7,877	4,101	4,101	6,863	6,583
Total primary government	\$ 2,892,634	\$ 2,970,399	\$ 3,276,399	\$ 3,032,583	\$ 3,030,705	\$ 2,923,044	\$ 2,770,630	\$ 2,770,630	\$ 3,128,122	\$ 3,127,939
Change in Net Position										
Governmental Activities	\$ (34,680)	\$ 370,138	\$ 629,261	\$ 399,788	\$ 480,727	\$ (182,692)	\$ 801,506	\$ 374,570	\$ 748,480	\$ 1,414,051
Business-Type Activities	370,861	567,482	639,036	1,621,153	1,373,323	675,764	433,483	(54,386)	57,967	(30,729)
Total primary government	\$ 336,181	\$ 937,620	\$ 1,268,297	\$ 2,020,941	\$ 1,854,050	\$ 493,072	\$ 1,234,989	\$ 320,184	\$ 806,447	\$ 1,383,322

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

TABLE 3

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ -	\$ 48,008	\$ 14,423	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	658,449	1,162,322	1,768,980	-	-	-	-	-	-	-
Nonspendable										
Restricted				\$ 486	\$ 3,794	\$ 1,588,988	\$ 1,581,391	\$ 1,587,132	\$ 1,544,363	\$ 1,543,891
Committed				124,284	376,171	341,200	418,150	435,429	439,545	420,313
Assigned				853,000	404,050	309,250	288,150	147,600	317,740	228,625
Unassigned				219,516	214,338	69,424	101,539	366,522	254,901	550,856
Total general fund	\$ 658,449	\$ 1,210,330	\$ 1,783,403	\$ 2,196,958	\$ 2,245,738	\$ 2,478,973	\$ 2,743,466	\$ 3,037,426	\$ 2,942,309	\$ 2,997,645
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special Revenue fund	69,665	72,213	74,325	-	-	-	-	-	-	-
Nonspendable				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted				76,162	77,850	79,505	80,547	-	-	-
Committed				-	-	-	-	-	-	-
Assigned				-	-	-	-	-	-	-
Unassigned				-	-	-	-	-	-	-
Total all other governmental funds	\$ 69,665	\$ 72,213	\$ 74,325	\$ 76,162	\$ 77,850	\$ 79,505	\$ 80,547	\$ -	\$ -	\$ -

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

TABLE 4

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
General property taxes	\$ 842,666	\$ 818,375	\$ 992,148	\$ 985,417	\$ 975,224	\$ 991,818	\$ 1,023,133	\$ 991,206	\$ 1,007,579	\$ 1,048,789
Other local taxes	1,683,880	1,750,302	1,832,613	1,781,841	1,739,047	1,613,572	1,508,317	1,532,062	1,606,722	1,686,976
Permits and licenses	19,624	4,698	3,184	4,672	3,726	3,078	2,382	3,814	2,910	5,878
Fines and forfeitures	31,517	41,271	32,447	35,080	28,408	19,335	22,755	30,032	16,341	12,558
Investment earnings	19,175	16,159	16,401	14,228	14,456	46,659	16,038	15,953	24,982	19,452
Charges for services	474,697	471,608	441,755	394,574	504,912	450,749	441,186	426,097	420,051	450,850
Other revenues	12,480	9,889	147,254	15,289	70,322	113,552	38,470	246,530	249,204	43,786
recovered cost	128,105	124,865	126,919	128,075	122,675	121,525	121,000	146,301	134,263	133,237
Intergovernmental	1,246,339	1,323,670	1,215,041	1,381,883	1,231,738	1,772,320	2,307,137	1,333,234	1,561,831	2,839,147
Total revenues	4,458,483	4,560,837	4,807,762	4,741,059	4,690,508	5,132,608	5,480,418	4,725,229	5,023,883	6,240,673
Expenditures										
General government	767,943	740,792	794,343	832,597	850,119	928,404	918,390	898,907	941,923	849,769
Public safety	1,658,265	1,714,114	1,693,280	1,741,189	1,588,682	1,797,006	1,719,110	1,522,304	1,631,750	2,102,456
Public works	1,088,867	949,673	1,209,698	1,038,581	1,434,840	1,294,684	1,288,192	1,030,370	1,543,339	2,206,617
Health and welfare	18,697	19,267	27,639	27,892	29,003	34,398	32,417	25,299	33,439	34,168
Parks, recreation and culture	635,346	429,224	491,009	530,460	746,227	705,609	801,096	889,901	1,281,042	1,518,415
Community development	37,805	132,685	8,907	133,659	202,116	155,970	408,345	190,337	23,460	-
Non-Departmental	15,264	4,469	331	100	-	-	-	-	-	-
Debt service										
Principal	125,357	80,130	26,550	27,370	29,009	68,326	52,596	65,404	87,500	132,072
Interest	7,455	3,479	3,727	2,907	2,568	16,125	15,804	15,573	18,297	22,433
Total expenditures	4,354,999	4,073,833	4,255,484	4,334,755	4,882,564	5,000,522	5,235,950	4,638,095	5,560,750	6,865,930
Excess of revenues over (under) expenditures	103,484	487,004	552,278	406,304	(192,056)	132,086	244,468	87,134	(536,867)	(625,257)
Other Financing Sources (Uses)										
Proceeds from borrowing	-	-	-	-	236,000	92,302	12,698	123,500	365,700	630,000
Insurance Recoveries	64,234	67,425	22,907	9,088	6,524	10,502	8,349	2,779	62,461	24,680
Proceeds from sale of assets	-	-	-	-	-	-	-	-	13,589	25,913
Total other financing sources (uses)	64,234	67,425	22,907	9,088	242,524	102,804	21,047	126,279	441,750	680,593
Net change in fund balance	\$ 167,718	\$ 554,429	\$ 575,185	\$ 415,392	\$ 50,468	\$ 234,890	\$ 265,515	\$ 213,413	\$ (95,117)	\$ 55,336
Debt service as a percentage of noncapital expenditures	3.15%	2.10%	0.72%	0.70%	0.65%	1.72%	1.32%	1.78%	1.94%	2.30%

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	Public Utilities							Total Assessed Value	Total Direct Tax rate per \$100
	Real Estate	Personal Property	Machinery and Tools	Real Estate	Personal Property	Mobile Homes			
2017	\$ 178,618,781	\$ 27,355,827	\$ 82,415	\$ 9,603,696	\$ 3,752	\$ 871,680	\$ 216,536,151	\$	0.484
2016	178,591,550	27,283,580	270,395	9,630,375	4,750	863,280	216,643,930		0.465
2015	178,283,162	27,409,690	306,700	8,699,675	51,645	894,230	215,645,102		0.460
2014	177,662,445	27,945,443	168,840	6,932,855	466,022	1,017,440	214,193,045		0.478
2013	176,690,845	15,583,595	149,575	6,766,360	100,680	872,150	200,163,205		0.469
2012	176,093,320	25,913,899	167,110	8,193,105	60,590	938,860	211,366,884		0.461
2011	174,834,870	25,961,831	141,030	10,179,955	60,570	803,270	211,981,526		0.465
2010	173,298,221	25,419,146	147,540	9,506,935	61,100	766,300	209,199,242		0.474
2009	142,455,414	27,402,120	137,290	7,689,292	48,315	839,890	178,572,321		0.458
2008	140,791,413	27,097,226	118,670	8,310,736	105,154	711,290	177,134,489		0.476

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	Public Utilities							Overlapping Rates	
	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Real Estate	Personal Property		Wise County	
								Real Estate	Personal Property
2017	\$ 0.44	\$ 0.62	\$ 0.62	\$ 0.44	\$ 0.44	\$ 0.62		\$ 0.60	\$ 1.56
2016	0.44	0.62	0.62	0.44	0.44	0.62		0.57	1.49
2015	0.44	0.62	0.62	0.44	0.44	0.62		0.57	1.49
2014	0.44	0.62	0.62	0.44	0.44	0.62		0.57	1.49
2013	0.44	0.62	0.62	0.44	0.44	0.62		0.57	1.49
2012	0.44	0.62	0.62	0.44	0.44	0.62		0.57	1.49
2011	0.44	0.62	0.62	0.44	0.44	0.62		0.57	1.49
2010	0.44	0.62	0.62	0.44	0.44	0.62		0.57	1.49
2009	0.44	0.62	0.62	0.44	0.44	0.62		0.57	1.49
2008	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, 2017:

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Percent of Real Estate Levy</u>
One Center Corp	Shopping center	4,328,600	2.42%
Heritage Hall Holding	Nursing home and elderly care	3,054,800	1.71%
Bunch Family Limited Partners	Investment Company	3,092,400	1.73%
Lonesome Pine Hospital	Health care	2,305,000	1.29%
Heritage Hall Holding	Nursing home and elderly care	1,596,700	0.89%
Don Wax Estate	Estate	1,238,100	0.69%
Powell Valley National Bank	Banking operation	1,103,400	0.62%
One Center Corp	Shopping center	935,300	0.52%
Management Properties Inc.	Investment Company	954,600	0.53%
Don Wax Estate	Estate	834,600	0.47%

June 30, 2008:

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Percent of Real Estate Levy</u>
One Center Corp	Shopping center	\$ 3,935,200	2.80%
Bunch Family Limited Partners	Investment Company	2,534,600	1.80%
Heritage Hall Holding	Nursing home and elderly care	2,457,800	1.75%
Lonesome Pine Hospital	Health care	1,898,000	1.35%
Heritage Hall Holding	Nursing home and elderly care	1,329,200	0.94%
Powell Valley National Bank	Banking operation	921,500	0.65%
One Center Corp	Shopping center	780,500	0.55%
Management Properties Inc.	Investment Company	740,100	0.53%
Gilliam, Carl G.	Investment Company	659,800	0.47%
Gardner, Euell, Jr.	Investment Company	648,700	0.46%

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
2017	\$ 1,002,161	\$ 872,903	87.10%	\$ 72,818	945,721	94.37%	\$ 241,115	24.06%
2016	1,002,845	929,567	92.69%	51,089	980,656	97.79%	246,154	24.55%
2015	998,827	906,813	90.79%	52,467	959,280	96.04%	208,470	20.87%
2014	958,629	877,969	91.59%	50,584	928,553	96.86%	201,271	21.00%
2013	900,373	837,029	92.96%	61,030	898,059	99.74%	201,535	22.38%
2012	969,143	842,447	86.93%	41,724	884,171	91.23%	197,230	20.35%
2011	972,863	844,009	86.76%	49,976	893,985	91.89%	174,180	17.90%
2010	962,255	839,768	87.27%	60,251	900,019	93.53%	162,652	16.90%
2009	831,123	706,103	84.96%	31,218	737,321	88.71%	162,245	19.52%
2008	827,782	715,216	86.40%	40,322	755,538	91.27%	123,108	14.87%

(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		Wastewater Bonds				
			Water Bonds						
2017	\$ 1,083,595	\$ -	\$ 9,587,035	\$ 4,625,478	\$ 15,296,108	17.64%	\$ 2,803		
2016	585,667	-	9,976,469	4,927,656	15,489,792	20.22%	2,860		
2015	307,467	-	10,356,456	5,228,174	15,892,097	22.13%	2,912		
2014	249,371	-	10,687,765	5,527,071	16,464,207	19.80%	2,933		
2013	289,271	-	10,753,327	5,983,051	17,025,649	21.39%	3,051		
2012	265,295	-	11,066,168	6,574,194	17,905,657	18.94%	3,173		
2011	58,304	-	11,286,791	7,081,552	18,426,647	20.19%	3,282		
2010	85,674	-	11,435,252	7,668,127	19,189,053	15.23%	3,286		
2009	112,224	-	11,019,967	4,263,321	15,395,512	13.13%	2,630		
2008	-	79,596	8,485,007	2,776,890	11,341,493	10.48%	1,937		

Notes:

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

TABLE 10

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

Fiscal Years Ended June 30	General Bonded Debt		Percentage of Actual Taxable Value of		Per Capita
	Outstanding General Obligation Bonds		Property		
2017	\$ 9,545,008		4.41%	\$ 1,749	
2016	9,544,595		4.41%	1,762	
2015	9,757,904		4.52%	1,788	
2014	10,145,875		4.74%	1,807	
2013	10,370,509		5.18%	1,859	
2012	10,762,717		5.09%	1,907	
2011	10,796,397		5.09%	1,923	
2010	11,079,045		5.30%	1,897	
2009	7,063,175		3.96%	1,207	
2008	-		0.00%	-	

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

TABLE 11

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assessed valuations										
Assessed value of taxed real property	\$ 140,791,413	\$ 142,455,414	\$ 173,298,221	\$ 174,834,870	\$ 176,093,320	\$ 176,690,845	\$ 177,662,445	\$ 178,283,162	\$ 178,591,550	\$ 178,618,781
Legal debt margin										
Debt limit - 10 percent of total assessed value	14,079,141	14,245,541	17,329,822	17,483,487	17,609,332	17,669,085	17,766,245	17,828,316	17,859,155	17,861,878
Debt applicable to limitation:										
Total bonded debt	11,261,897	15,395,312	19,189,053	18,426,647	17,905,657	17,025,649	16,464,207	15,892,097	15,489,792	15,296,108
Less - water and wastewater revenue bonds	(11,261,897)	(8,332,137)	(8,110,008)	(7,630,250)	(7,142,940)	(6,655,140)	(6,318,332)	(6,134,193)	(5,945,197)	(5,751,100)
Total amount of debt applicable to debt limitation	-	7,063,175	11,079,045	10,796,397	10,762,717	10,370,509	10,145,875	9,757,904	9,544,595	9,545,008
Legal debt margin	\$ 14,079,141	\$ 7,182,366	\$ 6,250,777	\$ 6,687,090	\$ 6,846,615	\$ 7,298,576	\$ 7,620,370	\$ 8,070,412	\$ 8,314,560	\$ 8,316,870
Total net debt applicable to the limit as a percentage of debt limit	0.00%	49.58%	63.93%	61.75%	61.12%	58.69%	57.11%	54.73%	53.44%	53.44%

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	Less:	Net	Debt Service			Coverage
	Service Charges	Operating Expenses	Available Revenue	Principal	Interest	Total	
2017	\$ 2,624,186	\$ 1,606,342	\$ 1,017,844	\$ 390,237	\$ 342,740	\$ 732,977	1.39
2016	2,506,629	1,457,917	1,048,712	379,987	353,048	733,035	1.43
2015	2,495,051	1,640,066	854,985	370,347	359,425	729,772	1.17
2014	2,583,230	1,873,897	709,333	353,964	368,622	722,586	0.98
2013	2,493,380	1,943,576	549,804	344,147	344,590	688,737	0.80
2012	2,523,599	1,841,596	682,003	1,485,382	374,440	1,859,822	0.37
2011	2,558,553	1,665,123	893,430	294,930	415,768	710,698	1.26
2010	2,448,059	1,674,175	773,884	268,867	411,984	680,851	1.14
2009	2,590,632	1,556,626	1,034,006	1,739,185	361,187	2,100,372	0.49
2008	2,451,915	1,533,841	918,074	192,773	336,225	528,998	1.74

Fiscal Years Ended June 30	Wastewater Revenue Bonds						
	Utility	Less:	Net	Debt Service			Coverage
	Service Charges	Operating Expenses	Available Revenue	Principal	Interest	Total	
2017	\$ 1,415,338	\$ 877,999	\$ 537,339	\$ 302,178	\$ 68,749	\$ 370,927	1.45
2016	1,413,709	792,745	620,964	300,518	70,425	370,943	1.67
2015	1,427,363	817,037	610,326	298,897	71,450	370,347	1.50
2014	1,550,445	822,170	728,275	455,980	73,592	529,572	1.38
2013	1,412,109	872,462	539,647	613,007	69,453	682,460	0.79
2012	1,424,508	848,351	576,157	868,556	75,513	944,069	0.61
2011	1,485,525	896,433	589,092	586,575	84,094	670,669	0.88
2010	1,384,341	796,734	587,607	382,611	64,894	447,505	1.31
2009	1,266,356	786,454	479,902	729,031	17,333	746,364	0.64
2008	1,226,704	773,575	453,129	381,101	18,570	399,671	1.13

- 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
2017	5,457	\$ 86,733,558	15,894	36.0	2,006	7.70%
2016	5,416	76,620,152	14,147	33.3	1,789	7.50%
2015	5,457	71,808,663	13,159	33.3	1,793	8.90%
2014	5,614	83,132,112	14,808	35.0	1,813	4.60%
2013	5,580	79,593,120	14,264	36.0	1,859	5.50%
2012	5,643	94,542,822	16,754	39.4	1,887	7.70%
2011	5,614	91,249,956	16,254	40.2	1,758	7.35%
2010	5,839	126,028,976	21,584	39.8	1,795	6.80%
2009	5,854	117,267,328	20,032	39.2	1,762	6.60%
2008	5,854	108,176,066	18,479	39.8	1,733	4.10%

- 1) Source: census data quickfacts, city-data.com, Wise County Public Schools, bestplaces.net
- 2) Data only available for last ten years

TABLE 14

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

June 30, 2017		Total Estimated Employment*
<u>Employer</u>	<u>Product or Service</u>	
Wallens Ridge State Prison	Public Agency	443
Mountain Empire Community College	Public Agency	344
Wise County Public Schools	Public Agency	256
Lonesome Pine Regional Hospital	Health Care	236
Heritage Hall	Assisted Living	177

June 30, 2008		Total Estimated Employment*
<u>Employer</u>	<u>Product or Service</u>	
Wallens Ridge Correctional Center	Public Agency	438
Lonesome Pine Hospital	Health Care	388
Mountain Empire Community College	Public Agency	300
Town of Big Stone Gap	Public Agency	80

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government										
Management services										
Finance	1	1	1	1	1	1	1	1	1	1
Planning	2	2	2	2	2	3	3	3.5	4.5	5
Building	0	0	0	0	0	0	0	0	0	0
Other	1	1	1	1	1	1	1	1	1	1
Other	8	8	6.5	7.5	5.5	4	4	3.5	3.5	3
Public safety										
Officers	18	18	16.5	16.5	16	15	15	15	13	15
Civilians	3	3	3	4	4	3	3	3	2	2
Public works										
Refuse collection	4	4	4	3	5	3	4	4	4	5
Streets	7	8	7	7	6	6	6	6	5	4
other	10	9	11	9	8.5	9	9.5	11	14	29
Parks and recreation										
Parks	6	5.5	5.5	6	7	2	5.5	5	6	6.5
Other	8	5.5	6	4	5	1	5	3.5	3.5	3
Visitors' Center										
Tourism										1
Other										1
Water operations	7	7	7.5	7	8	5	12.5	9	8.5	8
Wastewater operations	4.5	4.5	4	3.5	4	3	3.5	3.5	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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety										
Citations written	1,583	1,818	1,288	1,420	1,326	694	1,188	1,161	891	754
Water operations										
Number of service connections	3,922	3,941	3,947	3,930	3,841	3,861	3,883	3,844	3,858	3,792
Average daily consumption in gallons	762,000	884,034	786,236	799,009	734,759	894,172	760,107	653,728	622,292	1,774,216
Maximum daily capacity of plant in gallons	3,180,000	3,180,000	3,180,000	4,000,000	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	2,438	2,660	2,639	2,701	2,749	2,601	2,585	2,576	2,695
Average daily treatment in gallons	1,580,000	1,796,167	1,251,478	1,533,083	1,758,417	1,904,167	1,474,000	1,932,600	1,926,583	2,284,333
Maximum daily capacity of plant in gallons	2,000,000	2,000,000	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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Public safety										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	10	10	10	11	10	10	11	11	13	13
Public works										
Streets (miles)	56	56	56	56	56	68	68.36	68	68	68
Streetlights	574	574	574	574	574	571	571	571	571	575
Traffic signals	7	7	7	7	7	7	7	7	7	7
Water operations										
Miles of water main	56	56	56	56	56	56	47.39	85	85	85
Number of fire hydrants	300	300	300	300	300	300	361	361	361	361
Wastewater operations										
Miles of sanitary sewers	12	12	12	12	12	12	34	34	34	34
Miles of storm sewers	8	8	8	8	8	8	8	8	8	8
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of pumping stations	6	6	6	6	6	6	7	7	7	7