TOWN OF ABINGDON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2017

PREPARED BY:

FINANCE DEPARTMENT
TOWN OF ABINGDON, VIRGINIA

STATISTICAL DATA – (UNAUDITED)

COMPLIANCE

June 30, 2017

TOWN COUNCIL:

Cathy Lowe, Mayor
Richard E. Humphreys, Vice-Mayor
Cindy Patterson
Robert M. Howard
Wayne Craig

TOWN OFFICERS:

Gregory W. Kelly, Town Manager
Cecile Rosenbaum, Asst. Town Manager
Chuck Banner, Director of Finance
Tonya Triplett, Deputy Clerk
Tony Sullivan, Police Chief
John McCormick, Fire Department Chief
Matthew Bolich, Director of Public Works
Kevin Worley, Director of Parks and Recreation
Jayne Duehring, Director of Tourism
Floyd Bailey, Director of Information Technology
Stacey Reichler, Director of Human Resources
Sarita Moore, Director of Wastewater Operations
Marion Watts, Director of Building Inspections
Jason Boswell, Code Compliance Officer and Interim Director of Planning

TOWN LEGAL COUNSEL:

Deb Icenhour, Attorney at Law

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Town Council
Town of Abingdon, Virginia
Abingdon, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Abingdon, Virginia ("Town") 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *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 financial statements are free from 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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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, each major fund, and the aggregate remaining fund information of the Town of Abingdon, Virginia, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund 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 required pension schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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 introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical 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's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
November 27, 2017

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 4,691,002	$ 2,344,286	$ 7,035,288
Receivables:			
Taxes, net	1,289,998	-	1,289,998
Accounts, net	81,513	606,314	687,827
Other	372,281	1,016	373,297
Due from other governmental units	125,418	-	125,418
Internal balances	(180,324)	180,324	-
Inventory	4,006	-	4,006
Restricted assets:			
Cash	270,740	1,147,413	1,418,153
Capital assets, non-depreciable	9,479,772	25,010	9,504,782
Capital assets, depreciable, net	13,604,570	11,464,219	25,068,789
Total Assets	29,738,976	15,768,582	45,507,558
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	362,409	63,955	426,364
Pension contributions subsequent to measurement date	292,955	51,697	344,652
Total Deferred Outflows of Resources	655,364	115,652	771,016
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 30,394,340	$ 15,884,234	$ 46,278,574
LIABILITIES			
Accounts payable	$ 201,752	$ 38,630	$ 240,382
Accrued liabilities and wages	146,091	28,181	174,272
Construction bonds payable	25,303	-	25,303
Payable from restricted assets:			
Deposits	-	258,650	258,650
Accrued interest	23,292	1,575	24,867
Long-term liabilities			
Net pension liability	2,373,050	418,773	2,791,823
Due within one year	857,433	993,362	1,850,795
Due in more than one year	3,771,657	7,552,179	11,323,836
Total Liabilities	7,398,578	9,291,350	16,689,928
DEFERRED INFLOWS OF RESOURCES			
Property taxes	1,055,173	-	1,055,173
Pension related deferred inflows	515,510	90,973	606,483
Total Deferred Inflows of Resources	1,570,683	90,973	1,661,656
NET POSITION			
Net investment in capital assets	19,320,316	3,296,488	22,616,804
Restricted	139,425	-	139,425
Unrestricted	1,965,338	3,205,423	5,170,761
Total Net Position	21,425,079	6,501,911	27,926,990
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 30,394,340	$ 15,884,234	$ 46,278,574

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

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
					Primary Government		
FUNCTIONS/PROGRAMS:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	$ 2,437,414	$ -	$ -	$ -	$ (2,437,414)	$ -	$ (2,437,414)
Public safety	2,920,360	28,505	271,014	-	(2,620,841)	-	(2,620,841)
Public works	2,737,484	361,054	1,635,771	-	(740,659)	-	(740,659)
Health and welfare	37,519	-	-	-	(37,519)	-	(37,519)
Parks, recreation, and cultural	3,058,604	442,265	10,000	13,075	(2,593,264)	-	(2,593,264)
Community development	1,298,975	13,864	-	129,390	(1,155,721)	-	(1,155,721)
Interest on long-term debt	94,281	-	-	-	(94,281)	-	(94,281)
Non-departmental	74,874	-	-	-	(74,874)	-	(74,874)
Total Governmental Activities	12,659,511	845,688	1,916,785	142,465	(9,754,573)	-	(9,754,573)
Business-Type Activities:							
Wastewater	2,661,341	3,135,579	-	-	-	474,238	474,238
Total Business-Type Activities	2,661,341	3,135,579	-	-	-	474,238	474,238
TOTAL PRIMARY GOVERNMENT	$ 15,320,852	$ 3,981,267	$ 1,916,785	$ 142,465	(9,754,573)	474,238	(9,280,335)
		General Revenues:					
		Property taxes			2,657,010	-	2,657,010
		Local sales & use tax			492,287	-	492,287
		Utility tax			82,728	-	82,728
		Business license tax			877,549	-	877,549
		Franchise license tax			63,036	-	63,036
		Communication taxes			114,150	-	114,150
		Motor vehicle license			158,206	-	158,206
		Bank stock tax			565,666	-	565,666
		Cigarette tax			239,579	-	239,579
		Hotel and motel room tax			832,691	-	832,691
		Restaurant food tax			2,953,594	-	2,953,594
		Unrestricted intergovernmental revenue			65,291	-	65,291
		Unrestricted investment earnings			36,580	11,657	48,237
		Rental of Town property			3,600	-	3,600
		Recovered costs			175,088	-	175,088
		Gain on disposal of asset			8,452	-	8,452
		Other			402,059	-	402,059
		Total general revenues and transfers			9,727,566	11,657	9,739,223
		Change in net position			(27,007)	485,895	458,888
		NET POSITION - JULY 1			21,452,086	6,016,016	27,468,102
		NET POSITION - JUNE 30			$ 21,425,079	$ 6,501,911	$ 27,926,990

TOWN OF ABINGDON, VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Nonmajor Governmental Funds	Total
ASSETS			
Cash and cash equivalents	$ 4,691,002	$ -	$ 4,691,002
Receivables, net:			
Taxes	1,289,998	-	1,289,998
Accounts	81,513	-	81,513
Other	372,266	15	372,281
Due from other funds	80,493	-	80,493
Due from other governmental units	125,418	-	125,418
Inventory	4,006	-	4,006
Restricted assets:			
Cash	186,262	84,478	270,740
Total Assets	$ 6,830,958	$ 84,493	$ 6,915,451
LIABILITIES			
Accounts payable	$ 187,021	$ 14,731	$ 201,752
Accrued payroll and related liabilities	146,091	-	146,091
Construction bonds payable	25,303	-	25,303
Due to other funds	180,324	80,493	260,817
Total Liabilities	538,739	95,224	633,963
DEFERRED INFLOWS OF RESOURCES			
Property taxes	1,289,453	-	1,289,453
Total Deferred Inflows of Resources	1,289,453	-	1,289,453
FUND BALANCES:			
Nonspendable	4,006	-	4,006
Restricted	72,214	67,211	139,425
Unassigned	4,926,546	(77,942)	4,848,604
Total Fund Balances	5,002,766	(10,731)	4,992,035
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 6,830,958	$ 84,493	$ 6,915,451

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

Total Fund Balances per Exhibit 3-Balance Sheet-Governmental Funds	$ 4,992,035
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.	23,084,342
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	234,280
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	(3,240,109)
Accrued interest payable	(23,292)
Capital leases payable	(440,015)
Other post-employment benefits	(385,010)
Compensated absences	(563,956)
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	292,955
Deferred outflows of resources for the net difference between projected and actual earnings on pension plan investments	362,409
Deferred inflows of resources for the net difference between projected and actual earnings on pension plan investments	(515,510)
Net pension liability	(2,373,050)
Net Position of Governmental Activities	$ 21,425,079

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	General Fund	Nonmajor Governmental Funds	Total
REVENUES:			
General property taxes	$ 2,699,105	$ -	$ 2,699,105
Other local taxes	6,379,486	-	6,379,486
Permits, privilege fees and regulatory licenses	18,650	-	18,650
Fines and forfeitures	33,959	-	33,959
Revenue from use of money and property	39,800	380	40,180
Charges for services	831,824	13,864	845,688
Miscellaneous	293,099	-	293,099
Recovered costs	175,088	-	175,088
Intergovernmental	2,124,541	-	2,124,541
Total Revenues	12,595,552	14,244	12,609,796
EXPENDITURES:			
Current:			
General government administration	2,462,276	-	2,462,276
Public safety	2,830,596	-	2,830,596
Public works	2,674,970	-	2,674,970
Health and welfare	37,519	-	37,519
Parks, recreation and cultural	3,141,537	-	3,141,537
Community development	1,215,221	28,267	1,243,488
Non-departmental	74,874	-	74,874
Debt Service:			
Principal	545,535	-	545,535
Interest	97,631	-	97,631
Total Expenditures	13,080,159	28,267	13,108,426
Excess (Deficiency) of Revenues Over Expenditures	(484,607)	(14,023)	(498,630)
OTHER FINANCING SOURCES (USES):			
Sale of property	7,037	-	7,037
Insurance recoveries	70,133	-	70,133
Loan proceeds	341,195	-	341,195
Total Other Financing Sources (Uses)	418,365	-	418,365
Net Change in Fund Balance	(66,242)	(14,023)	(80,265)
FUND BALANCE AT JULY 1	5,069,008	3,292	5,072,300
FUND BALANCE AT JUNE 30	$ 5,002,766	$ (10,731)	$ 4,992,035

TOWN OF ABINGDON, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Net Change in Fund Balance Governmental Funds:	$ (80,265)
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	489,114
Depreciation expense	(840,826)
	(351,712)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(42,095)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to decrease net assets	(12,373)
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 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	387,643
Capital lease	157,892
Proceeds from debt	(341,195)
	204,340
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	3,350
Compensated absences	54,206
Other post-employment benefits	(29,082)
	28,474
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	292,955
Pension expense	(66,331)
	226,624
Change in Net Position of Governmental Activities	$ (27,007)

TOWN OF ABINGDON, VIRGINIA

EXHIBIT 7

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL -
GENERAL FUND
Year Ended June 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
General property taxes	$ 2,686,000	$ 2,686,000	$ 2,699,105	$ 13,105
Other local taxes	6,735,750	6,735,750	6,379,486	(356,264)
Permits, privilege fees and regulatory licenses	22,600	22,600	18,650	(3,950)
Fines and forfeitures	53,200	53,200	33,959	(19,241)
Revenue from use of money and property	20,767	20,767	39,800	19,033
Charges for services	779,500	779,500	831,824	52,324
Miscellaneous	324,750	324,750	293,099	(31,651)
Recovered costs	138,994	138,994	175,088	36,094
Intergovernmental	3,380,519	3,380,519	2,124,541	(1,255,978)
Total Revenues	14,142,080	14,142,080	12,595,552	(1,546,528)
EXPENDITURES:				
General government :				
Legislative	138,381	139,221	95,337	43,884
General and financial administration	2,226,123	2,428,874	2,366,939	61,935
Total general government	2,364,504	2,568,095	2,462,276	105,819
Public safety:				
Police	1,993,077	2,110,339	2,100,486	9,853
Fire	391,188	441,494	477,082	(35,588)
Building Inspections	225,081	260,076	253,028	7,048
Total public safety	2,609,346	2,811,909	2,830,596	(18,687)
Public works:				
Maintenance of highways, streets, bridges, and sidewalks	2,268,765	2,452,936	2,229,436	223,500
Sanitation and waste removal	359,295	360,429	335,453	24,976
Maintenance of general buildings and grounds	805,300	176,974	110,081	66,893
Total public works	3,433,360	2,990,339	2,674,970	315,369
Health and welfare	22,500	27,527	37,519	(9,992)
Parks, recreation, and cultural	3,915,060	4,212,920	3,141,537	1,071,383
Community development	1,358,107	1,337,949	1,215,221	122,728
Non-departmental	104,000	104,000	74,874	29,126
Debt service:				
Principal	616,068	616,068	545,535	70,533
Interest	99,135	99,135	97,631	1,504
Total debt service	715,203	715,203	643,166	72,037
Total Expenditures	14,522,080	14,767,942	13,080,159	1,687,783
OTHER FINANCING SOURCES (USES):				
Sale of property	5,000	5,000	7,037	2,037
Insurance recoveries	-	29,667	70,133	40,466
Loan proceeds	-	216,195	341,195	125,000
Transfers in (out)	375,000	375,000	-	(375,000)
Total Other Financing Sources (Uses)	380,000	625,862	418,365	(207,497)
Net Change in Fund Balance	$ -	$ -	$ (66,242)	$ (66,242)

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

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF NET POSITION -
PROPRIETARY FUND
June 30, 2017

EXHIBIT 8

		Sewer Fund
ASSETS		
Cash and cash equivalents	$	2,344,286
Receivables, net:		
Accounts		606,314
Accrued interest		1,016
Due from other funds		180,324
Restricted Assets:		
Cash		1,147,413
Capital assets, non-depreciable		25,010
Capital assets, depreciable, net		11,464,219
Total Assets		15,768,582
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows		63,955
Pension contributions subsequent to measurement date		51,697
Total Deferred Outflows of Resources		115,652
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	15,884,234
LIABILITIES		
Current liabilities:		
Accounts payable	$	38,630
Accrued wages and liabilities		28,181
Payable From Restricted Assets:		
Customer deposits		258,650
Accrued interest		1,575
Long-term liabilities due within one year		993,362
Total Current Liabilities		1,320,398
Noncurrent liabilities:		
Net pension liability		418,773
Long-term liabilities due in more than one year		7,552,179
Total Noncurrent Liabilities		7,970,952
Total Liabilities		9,291,350
DEFERRED INFLOWS OF RESOURCES		
Net difference between projected and actual investment earnings on pension plan investments		90,973
Total Deferred Inflows of Resources		90,973
NET POSITIO		
Net investment in capital assets		3,296,488
Unrestricted		3,205,423
Total Net Position		6,501,911
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$	15,884,234

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

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION -
PROPRIETARY FUND
Year Ended June 30, 2017

	Sewer Fund
OPERATING REVENUES:	
Sewer service charges	$ 2,934,349
Solid waste charges	81,844
Sewer connection charges	59,818
Miscellaneous	33,105
Total Operating Revenues	3,109,116
OPERATING EXPENSES:	
Personal services	952,078
Fringe benefits	363,424
Contractual services	56,909
Other charges	597,259
Depreciation	666,140
Total Operating Expenses	2,635,810
Operating Income	473,306
NON-OPERATING REVENUES (EXPENSES):	
Sewer impact fees	26,463
Interest income	11,657
Interest expense	(25,531)
Total Non-Operating Revenues (Expenses)	12,589
CHANGE IN NET POSITION	485,895
NET POSITION AT JULY 1	6,016,016
NET POSITION AT JUNE 30	$ 6,501,911

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

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
Year Ended June 30, 2017

EXHIBIT 10

	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$ 3,077,895
Cash payments to suppliers for goods and services	(1,019,948)
Cash payments to employees for services	(976,785)
Receipts (payment) of customer deposits	36,357
Other operating receipts	33,105
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,150,624
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Transfers from other funds	740,836
Transfers to other funds	(234,662)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	506,174
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital assets purchases	(20,970)
Principal paid on long-term liabilities	(852,089)
Capital improvement fees	26,463
Interest paid on long-term liabilities	(25,736)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(872,332)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	11,770
NET CASH PROVIDED BY INVESTING ACTIVITIES	11,770
NET INCREASE IN CASH AND CASH EQUIVALENTS	796,236
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,695,463
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 3,491,699
Displayed as:	
Cash and Cash Equivalents-Unrestricted	$ 2,344,286
Restricted Cash	1,147,413
	$ 3,491,699
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 473,306
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	666,140
Pension expense net of employer contributions	(39,992)
Change in assets and liabilities	
(Increase) decrease in:	
Receivables, net	1,884
Prepaids	21,233
(Decrease) increase in:	
Accounts payable	10,185
Customer deposits	36,357
Accrued wages and liabilities	(31,541)
Compensated absences	6,834
Other post-employment benefits	6,218
TOTAL ADJUSTMENTS	677,318
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,150,624

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

Reporting Entity

The Town of Abingdon, Virginia (the Town) is a municipality governed by an elected five-member council. The accompanying financial statements present all activities of the Town; the Town has determined that it has no component units. The Town is the primary government of the reporting entity.

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 non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental* activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support.

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 and proprietary funds. 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 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 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, as well as compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, 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 receivable when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town.

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

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

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

The Town reports the following major governmental fund:

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 fund:

The S*ewer Fund* accounts for activities related to a sewer treatment system and derives the majority of its revenue through user charges and fees.

Additionally, the Town reports the following fund types and individual non-major funds:

Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Town has established special revenue funds to account for cost of implementing internet services to the community, housing funds, and other social service type activity. Those funds are: Electronic Village and Kings Mountain.

Capital Projects Funds accounts for the construction of capital assets which are financed from various sources other than special assessment debt.

Permanent Funds account for resources that are legally restricted to the extent that only earnings, not principal may be used for purposes that support specific programs.

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 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.

Amounts reported as *program revenues* included 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

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

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

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

Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Interfund Receivables and Payables

Activity between the funds is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and is referred to as "due to/from other funds". 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."

Inventory

Inventory is valued at cost and accounted for under the consumption method. Cost is recorded as an expense at the time the inventory item is used. Inventory in the General Fund consists of fuel.

Property Taxes

Property is assessed at its value on January 1st. Property taxes attach as an enforceable lien on property as of January 1st. Real estate taxes are payable in two installments, one in May and one in November. Personal property taxes are due and collectible annually in November. The Town of Abingdon bills and collects its own taxes.

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 for machinery and equipment, $25,000 for land, and $100,000 for buildings, 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:

	Years
Buildings and improvements	40
Infrastructure and improvements	40
Vehicles	5-10
Furniture and equipment	5-10

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.

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

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

Long-Term Debt

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

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

Fund Balances

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

- Non-spendable: 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 and inventory as being nonspendable as these items are not expected to be converted to cash within the next year. The Town also includes the long-term amount of interfund loans, if applicable.

- 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's Finance Director as approved by this fund balance policy.

- 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 minimum fund balance policy.

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

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

Fund Balances (Continued)

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.

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 year-end are included in restricted, committed, or assigned fund balance, as appropriate.

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

Deferred Outflows/Inflows of Resources

The Town reports deferred outflows of resources and deferred inflows of resources. 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 inflow 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 yet complete. These amounts are deferred and recognized as an inflow of resources in the period they are earned.

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.

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

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

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 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.

2. *STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY*

Budgetary Information

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

1. Prior to March 30, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain citizen comments.

3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

4. The Appropriations Resolution places legal restrictions on expenditures at the category level. The appropriations for each category can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within governmental departments.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

7. Appropriations lapse on June 30 for all Town units except for the Capital Projects Funds, which carry unexpended balances into the following year on a continuing appropriation basis.

8. All budget data presented in the accompanying financial statements is the revised budget as of June 30, 2017.

Deficit Fund Balance

At June 30, 2017, the following fund had a deficit fund balance:

Electronic Village Fund	$(77,942)

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

3. *DEPOSITS AND INVESTMENTS (Continued)*

insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Investment Policy

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

Credit Risk

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

Concentration of Credit Risk

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

First Bank & Trust	70%
LGIP	14%
New Peoples Bank	12%

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.

Deposits and investments consist of the following:

Cash on hand	$ 1,612
Deposits	2,290,103
LGIP	1,162,859
Certificates of deposit	4,998,867
	$8,453,441

The above items are reflected in the Statement of Net Position as follows:

Cash and cash equivalents	$7,035,288
Restricted cash and cash equivalents	1,418,153
	$8,453,441

4. *RECEIVABLES*

Receivables at June 30 are as follows:

	Governmental Activities	Business-Type Activities
Receivables		
Taxes	$ 1,467,661	$ -
Accounts	95,856	699,730
Other	372,281	1,016
Gross receivables	1,935,798	700,746
Less:		
Allowance for uncollectibles	(192,006)	(93,416)
Net total receivables	$ 1,743,792	$ 607,330

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $285,422 at June 30, 2017, and is composed of the following:

General Fund:	
Allowance for uncollectible property taxes	$ 177,664
Allowance for uncollectible garbage fees	14,342
Total General Fund	$ 192,006
Sewer Fund:	
Allowance for uncollectible sewer fee billings	$ 93,416
Total Sewer Fund	$ 93,416

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and governmental activities also defer inflows for resources that have not yet been earned. At June 30, the components of deferred inflows of resources were as follows:

	General Fund	Governmental Activities
Property taxes receivable	$ 1,274,962	$ 1,040,682
Prepaid taxes	14,491	14,491
	$ 1,289,453	$ 1,055,173

5. *DUE FROM OTHER GOVERNMENTAL UNITS*

Due from other governments consists of the following:

Commonwealth of Virginia:	
Local sales tax	$ 43,086
Virginia Department of Transportation	63,416
Car rental tax	120
Communication tax	18,796
Total Commonwealth of Virginia	125,418
Total Due from Other Governmental Units	$125,418

6. *INTERFUND OBLIGATIONS*

Interfund obligations consist of the following:

Receivable Fund	Payable Fund	Amount
General	Electronic Village	$ 78,678
	Rehabilitation Fund	718
	Cemetery Fund	1,097
		80,493
Sewer	General	180,324
		$ 260,817

7. *CAPITAL ASSET DEPRECIATION*

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

Governmental activities:	
General government	$ 51,156
Public safety	237,947
Public works	207,408
Parks, recreation, and cultural	269,213
Community development	75,102
Total depreciation expense – governmental activities	$ 840,826
Business-type activities:	
Sewer	$ 666,140
Total depreciation expense – business-type activity	$ 666,140

8. *CAPITAL ASSETS*

The following is a summary of changes in capital assets:

Governmental Activities:	Beginning Balance 7/1/2016	Additions	Deletions	Balance 6/30/2017
Capital assets, non-depreciable:				
Land	$ 9,193,214	$ 187,389	$ -	$ 9,380,603
Construction in progress	22,300	76,869	-	99,169
Total capital assets, non-depreciable	9,215,514	264,258	-	9,479,772
Capital assets, depreciable:				
Buildings and improvements	11,881,122	-	-	11,881,122
Infrastructure/improvements	6,996,042	144,447	-	7,140,489
Vehicles	3,684,188	55,574	25,599	3,714,163
Furniture and equipment	1,418,735	24,835	-	1,443,570
Total capital assets, depreciable	23,980,087	224,856	25,599	24,179,344
Less Accumulated Depreciation For:				
Buildings and improvements	4,745,601	324,590	-	5,070,191
Infrastructure/improvements	1,512,636	194,350	-	1,706,986
Vehicles	2,577,443	184,559	13,226	2,748,776
Furniture and equipment	911,494	137,327	-	1,048,821
Total accumulated depreciation	9,747,174	840,826	13,226	10,574,774
Total capital assets, depreciable net	14,232,913	(615,970)	12,373	13,604,570
Net capital assets	$ 23,448,427	$ (351,712)	$ 12,373	$ 23,084,342

8. *CAPITAL ASSETS (Continued)*

Business-Type Activities:	Beginning Balance 7/1/2016	Additions	Deletions	Balance 6/30/2017
Capital assets, non-depreciable:				
Land	$ 25,010	$ -	$ -	$ 25,010
Total capital assets, non-depreciable	25,010	-	-	25,010
Capital assets, depreciable:				
Buildings and improvements	155,833	-	-	155,833
Plant	23,220,736	-	-	23,220,736
Distribution and collection lines	6,495,855	6,285	-	6,502,140
Vehicles	1,243,999	-	-	1,243,999
Furniture and equipment	1,756,104	14,685	-	1,770,789
Total capital assets, depreciable	32,872,527	20,970	-	32,893,497
Less Accumulated Depreciation For:				
Buildings and improvements	92,812	3,401	-	96,213
Plant	14,394,110	455,359	-	14,849,469
Distribution and collection lines	3,942,964	96,917	-	4,039,881
Vehicles	1,007,257	54,407	-	1,061,664
Furniture and equipment	1,325,995	56,056	-	1,382,051
Total accumulated depreciation	20,763,138	666,140	-	21,429,278
Total capital assets, depreciable net	$ 12,109,389	$ (645,170)	$ -	$ 11,464,219
Net capital assets	$ 12,134,399	$ (645,170)	$ -	$ 11,489,229

9. *LONG-TERM DEBT*

Changes in long-term liabilities consist of the following:

	7/1/2016	Increases	Decreases	6/30/2017	One Year
Governmental Activities					
General obligation bonds	$ 3,208,257	$ 216,195	$ (361,543)	$ 3,062,909	$ 305,421
Notes payable	78,300	125,000	(26,100)	177,200	88,600
Capital leases	597,907	-	(157,892)	440,015	68,643
OPEB	355,928	29,082	-	385,010	-
Compensated absences	618,162	245,630	(299,836)	563,956	394,769
Total	$ 4,858,554	$ 615,907	$ (845,371)	$ 4,629,090	$ 857,433
Business-Type Activities					
Revenue bonds	$ 9,066,253	$ -	$ (789,610)	$ 8,276,643	$ 856,999
Capital leases	62,478	-	(62,478)	-	-
OPEB	67,876	6,218	-	74,094	-
Compensated absences	187,970	55,782	(48,948)	194,804	136,363
Total	$ 9,384,577	$ 62,000	$ (901,036)	$ 8,545,541	$ 993,362

9. *LONG-TERM DEBT (Continued)*

Governmental Activities:

Refunding Bonds

The Town issued general obligation refunding bonds (Series 2013) dated November 22, 2013 in the amount of $2,469,600 to refund general obligation bonds and general obligation refunding bonds that were originally issued in the amounts of $1,371,000 and $1,500,000, respectively. The new bond bears an interest rate of 2.25% and is due in installments of approximately $246,950 per year through June 1, 2024.

Notes Payable

The Town entered into a collateralized loan agreement with New Peoples Bank on September 18, 2015. The note was to purchase a new technology backup system and is collateralized with a certificate of deposit in the amount of $78,300. Principal installments of $26,100 are due annually until maturity at July 20, 2018. The interest rate on the loan is 1.5% and interest payments are due quarterly for the life of the loan.

The Town entered into a collateralized loan agreement with Cornelia H. Counts on May 5, 2017. The note was to purchase land and is collateralized by the real estate. Principal installments in the amount of $35,000 are due annually until maturity at July 5, 2018. The interest rate on the loan is 0%.

The Town entered into a collateralized loan agreement with John and Nina White on May 5, 2017. The note was to purchase land and is collateralized by the real estate. Principal installments in the amount of $27,500 are due annually until maturity at July 5, 2018. The interest rate on the loan is 0%.

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities of the primary government. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. The $10,000,000 general obligation bond is being drawn down as expenses are incurred. The outstanding balance at year-end is a reflection of the total amount drawn as of June 30, 2017.

General Obligation Bonds	Original Issue Amount	Interest Rates	Annual Principal Requirements	Total Outstanding
General Obligation Refunding Bonds 2013	$ 1,347,167	2.25%	$80,898 to $151,976	$ 848,798
General Obligation Bonds 2013	2,600,000	2.50%	80,898 to 151,976	1,997,916
General Obligation Bonds 2016	10,000,000	1.40%	Interest only to maturity	216,195
Total General Obligation Bonds				$ 3,062,909

Capital Leases

The Town leases various types of equipment and facilities under capital lease agreements. Following is the detail of leases for the governmental activities:

Capital Leases	Original Issue Amount	Interest Rates	Annual Principal Requirements	Total Outstanding
Garbage Truck	$ 133,000	2.00%	$25,516 to $26,433	$ 52,418
Fire Truck	558,827	3.50%	41,184 to 54,655	387,597
Total Capital Leases				$ 440,015

9. *LONG-TERM DEBT (Continued)*

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

Governmental Activities

General Obligation Bonds Principal	General Obligation Bonds Interest	Notes Principal	Notes Interest	Capital Leases Principal	Capital Leases Interest
$ 305,421	$ 71,853	$ 88,600	$ 427	$ 68,643	$ 14,900
312,477	64,800	88,600	34	70,647	12,896
320,123	57,630	-	-	45,795	10,828
290,670	49,737	-	-	47,444	9,179
487,172	40,088	-	-	49,152	7,471
1,142,175	104,566	-	-	158,334	11,535
204,871	5,122	-	-	-	-
$ 3,062,909	$ 393,796	$ 177,200	$ 461	$ 440,015	$ 66,809

Business-Type Activities

Revenue Bonds

The Town issues revenue bonds to finance sewer construction projects for community development purposes.

Revenue Bonds	Original Issue Amount	Interest Rates	Annual Principal Requirements	Total Outstanding
2000 Revenue Bond	$ 651,942	3.50%	$ 38,683	$ 110,172
2004 Revenue Bond	9,798,168	0.00%	597,530	5,975,294
2011 Revenue Bond	1,908,392	0.00%	95,420	1,483,975
Refunding Series 2013	1,122,433	2.25%	67,402 to 126,624	707,202
Total Revenue Bonds				$ 8,276,643

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

Business-Type Activities

Year Ending June 30,	Revenue Bonds Principal	Revenue Bonds Interest
2018	$ 856,999	$ 19,396
2019	861,060	15,155
2020	842,380	10,803
2021	791,530	7,555
2022	771,532	5,337
2023-2027	3,623,369	5,331
2028-2032	477,100	-
2033-2037	52,673	-
Totals	$ 8,276,643	$ 63,577

10. *FUND BALANCES—GOVERNMENTAL FUNDS*

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned 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 constraints are presented below:

	General Fund	Non-major Governmental Funds	Total Governmental Funds
Non-spendable:			
Inventory	$ 4,006	$ -	$ 4,006
Total Non-spendable	4,006	-	4,006
Restricted:			
Capital projects	25,646	55,542	81,188
Cemetery	-	11,669	11,669
Parks, recreation, and cultural	40,916	-	40,916
Public safety	5,652	-	5,652
Total Restricted	72,214	67,211	139,425
Unassigned	4,926,546	(77,942)	4,848,604
Total Fund Balances	$ 5,002,766	$ (10,731)	$ 4,992,035

11. *DEFINED BENEFIT PENSION PLAN*

Plan Description

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

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid Retirement Plan. 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:

11. Defined Benefit Pension Plan ***(Continued)***

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID
RETIREMENT PLAN</th></tr>
<tr><td>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.</td><td>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.</td><td>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.</td></tr>
<tr><td>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</td><td>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</td><td>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</td></tr>
</table>

11. Defined Benefit Pension Plan *(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** **<u>Defined Benefit Component:</u>** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **<u>Defined Contributions Component:</u>**

11. Defined Benefit Pension Plan ***(Continued)***

<table>
<tr><td></td><td></td><td>Under the defined contributions component, creditable service is used to determine vesting for the employer contribution portion of the plan.</td></tr>
<tr><td>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.</td><td>Vesting
Same as Plan 1.</td><td>Vesting
<u>Defined Benefit Component:</u>
Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
<u>Defined Contributions Component:</u>
Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contributions component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.
• 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.</td></tr>
<tr><td>Calculating the Benefit</td><td>Calculating the Benefit</td><td>Calculating the Benefit</td></tr>
</table>

11. Defined Benefit Pension Plan *(Continued)*

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.	See definition under Plan 1.	**Defined Benefit Component:** See definition under Plan 1. **Defined Contribution Component:** 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** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **Sheriffs and regional jail superintendents**: Not applicable. **Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component:** Not applicable.
Normal Retirement Age **VRS**: Age 65. Political subdivisions hazardous duty employees: Age 60.	**Normal Retirement Age** **VRS**: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.	**Normal Retirement Age** **Defined Benefit Component:** **VRS**: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. **Defined Contribution Component:**

11. Defined Benefit Pension Plan ***(Continued)***

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

11. Defined Benefit Pension Plan *(Continued)*

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. **Exceptions to COLA Effective Dates:** 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.	**Exceptions to COLA Effective Dates:** Same as Plan 1.	**Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming

11. Defined Benefit Pension Plan ***(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** **Defined Benefit Component:** 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. **Defined Contribution Component:** Not applicable.

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11. *DEFINED BENEFIT PENSION PLAN (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:

	Number
Inactive members or their beneficiaries currently receiving benefits	66
Inactive members:	
Vested inactive members	4
Non-vested inactive members	33
Inactive members active elsewhere in VRS	30
Total inactive members	67
Active members	137
Total covered employees	270

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 5.00% 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 6.61% 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 $344,652 and $392,213 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.

11. *DEFINED BENEFIT PENSION PLAN (Continued)*

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town's retirement plan was based on an actuarial valuation as of June 30, 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.

11. *DEFINED BENEFIT PENSION PLAN (Continued)*

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 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increases 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 increases 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 – 4.75 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.

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.

11. *DEFINED BENEFIT PENSION PLAN (Continued)*

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:

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%
	100.00%		5.83%
Inflation			2.50%
* Expected arithmetic nominal return			8.33%

11. *DEFINED BENEFIT PENSION PLAN (Continued)*

∗ 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.

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at June 30, 2015	$ 18,220,140	$ 16,077,764	$ 2,142,376
Changes for the year:			
Service cost	485,771	-	485,771
Interest	1,249,531	-	1,249,531
Differences between expected and actual experience	(85,461)	-	(85,461)
Contributions - employer	-	446,529	(446,529)
Contributions - employee	-	280,345	(280,345)
Net investment income	-	283,492	(283,492)
Benefit payments, including refunds of employee contributions	(739,385)	(739,385)	-
Administrative expenses	-	(9,853)	9,853
Other changes	-	(119)	119
Net changes	910,456	261,009	649,447
Balance at June 30, 2016	$ 19,130,596	$ 16,338,773	$ 2,791,823

11. *DEFINED BENEFIT PENSION PLAN (Continued)*

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:

	1.00 % Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Net Pension Liability	$ 5,395,641	$ 2,791,823	$ 644,410

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 $132,353. 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	$ -	$ 606,483
Net difference between projected and actual earnings on pension plan investments	426,364	-
Employer contributions subsequent to the measurement date	344,652	-
Total	$ 771,016	$ 606,483

The $344,652 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 ending 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 in future reporting periods as follows:

Year ending June 30	Increase (Reduction) to Pension Expense
2018	$ (207,920)
2019	(207,918)
2020	81,580
2021	154,139
2022	-
Thereafter	-
	$ (180,119)

11. *DEFINED BENEFIT PENSION PLAN (Continued)*

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 $30,342 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

12. *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 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.

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	$ 47,796	$ 9,104	$ 56,900
Interest on net OPEB obligation	12,432	2,368	14,800
Adjustment to annual required contribution	(13,758)	(1,942)	(15,700)
Annual OPEB cost	46,470	9,530	56,000
Contributions made (Age Adjusted)	(17,388)	(3,312)	(20,700)
Increase in net OPEB obligation	29,082	6,218	35,300
Net OPEB obligation-beginning of year	355,928	67,876	423,804
Net OPEB obligation-end of year	$ 385,010	$ 74,094	$ 459,104

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

The Town's annual OPEB cost for governmental activities and 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.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	$ 56,000	36.96%	$ 459,104
June 30, 2016	$ 53,400	25.09%	$ 423,804
June 30, 2015	$ 79,473	16.36%	$ 383,804
June 30, 2014	$ 75,103	12.12%	$ 317,331
June 30, 2013	$ 71,028	11.40%	$ 251,328
June 30, 2012	$ 62,800	0%	$ 188,400
June 30, 2011	$ 62,800	0%	$ 125,600

Actuarial Methods and Assumptions

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.

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.

Cost Method

The projected unit credit (PUC) cost method was used for this valuation. The objective of this method is to fund each participant's benefits under the plan as they would accrue. Under this model the total value of the benefit to which each participant is expected to become entitled is broken down into units, each associated with a year of past or future credited service.

Interest Assumptions

The actuarial assumptions included an annual healthcare cost trend rate of 7.4% in 2017, graded to 4.00% over 82 years. A payroll growth rate of 3.00% is used in the assumptions. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2017 is 22 years.

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

Plan Description

The Town provides post-employment medical coverage benefits for retired employees who are eligible for retirement benefits and meet one of the following requirements:

- Attain the age of 50 with at least 10 years of service with the Town
- Attain the age of 55 with at least 5 year of service with the Town

A retiree, eligible for post-retirement health care 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 may change, add or delete coverage as they deem appropriate and with the approval of the Town Council.

Funding Policy

The Town currently funds post-employment health care benefits on a pay-as-you-go basis, so the plan has no assets. During fiscal year 2017, the Town had not designated any funding for the OPEB liability.

13. *TAX ABATEMENTS*

The Town has two programs through which it currently provides tax abatements:

Historic District Tax Abatement. The Town finds that the continued development and success of its Old and Historic District requires incentives, and determines that the most appropriate method of offering incentives for the area described is to create a tax credit/abatement program in that area, as authorized by the Code of Virginia 1950, § 58.1-3220, as amended. The intent of council is to provide property tax credit and/or abatements that encourage maintenance, restoration, preservation, and rehabilitation by providing for such a tax credit of $2,500 to town property taxes for every $2,500 of work performed and documented on the structures located within the Old and Historic District of the Town. The council of the Town believes that the establishment of such tax credits and/or abatement incentives will improve the economic and visual conditions of the geographic area of the Town which could, in turn, benefit the welfare of the citizens of the Abingdon.

Rehabilitation Tax Exemption. Under the Code of Virginia 1950, § 58.1-3221, as amended, the governing body of any county, city, or town may, by ordinance, provide for the partial exemption from taxation of real estate on which any structure or other improvement no less than twenty years of age, or fifteen years of age if the structure is located in an area designate as an enterprise zone by the Commonwealth, has undergone substantial rehabilitation, renovation or replacement for commercial or industrial use, subject to such conditions as the ordinance may provide. The partial exemption provided by the local governing body may not exceed an amount equal to the increase in assessed value resulting from the rehabilitation, renovation or replacement of the commercial or industrial structure as determined by the commissioner of the revenue or other local assessing officer or an amount up to fifty percent of the cost of the rehabilitation, renovation or replacement as determined by ordinance. The Town currently has one qualified partial rehabilitation tax exemption.

For the year ended June 30, 2017, the Town abated taxes as follows:

Tax Abatement Program	Amount Abated
Rehabilitation Tax Exemption	$ 31,137
Historic District Tax Abatement	$ 4,863

14. *COMMITMENTS AND CONTINGENCIES*

Litigation

The Town is contingently liable with respect to lawsuits and other claims, which arise in the ordinary course of operations. It is the opinion of Town management and the Town Attorney that any losses not covered by insurance, which may ultimately be incurred as a result of the suits and claims, will not be material to the financial position of the Town.

Commitment

The Town received a donation of $2,289,700 from a local business for the purchase of 40.74 acres of land for the purpose of developing a sports complex facility. The Town purchased the land in December 2015. This land was part of a 76.46 acre site that the local business researched, agreed to overall payment terms with the seller, and then brought to the Town. The Town joined the transaction as an assignee, agreeing to acquire the 40.74 acres previously mentioned with the proceeds of the donation from the local business. The local business purchased the adjoining 35.72 acres of land for retail development. The Town has agreed to complete certain infrastructure assets necessary for the construction of the sports complex facility and the retail development.

15. *RISK MANAGEMENT*

The risk management of the Town is as follows:

General Liability and Other
The Town has purchased commercial property insurance through the Huron Insurance Company. General liability coverage was secured through Harleysville Insurance Company.

Worker's Compensation
Worker's compensation is provided through the Virginia Municipal Group Self Insurance Association. Management estimates any liability for unpaid claims at year-end to be immaterial.

Surety Bonds
The Town has a Surety Blanket Bond in the amount of $1,000,000 with USF&G insurance company.

16. *SUBSEQUENT EVENTS*

The Town incurred the following debt obligations subsequent to June 30, 2017. On July 3, 2017, the Town drew an additional $354,650 against the 2016 general obligation bonds for project expenses incurred in fiscal year 2017. The total outstanding principal balance for the bond subsequent to the draw is approximately $570,000. On July 25, 2017, the Town issued a note payable to First Bank and Trust for $192,000 for computer infrastructure enhancements. The note will be payable in interest only installments, semi-annually beginning January 25, 2018 at a rate of 1.45%. Principal is due at maturity on July 25, 2021.

The Town committed to the following construction projects subsequent to June 30, 2017. On October 23, 2017 the Town signed W-L Construction & Paving, Inc. to an annual contract for road resurfacing that is not to exceed $2,021,000. The anticipated costs for fiscal year 2018 are $350,000. On October 17, 2017 the Town signed a contract with Thompson & Litton in the amount of $199,239 for survey, design, construction engineering, and inspection services for road and drainage projects on Park Street and Tanner Street.

17. *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.

17. *NEW ACCOUNTING PRONOUNCEMENTS (Continued)*

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 No. 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.

18. *FUTURE ACCOUNTING PRONOUNCEMENTS*

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. Management has not yet evaluated their effect on the Town's financial report.

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.

18. *FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)*

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 ABINGDON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS - PENSION AND OTHER POST-EMPLOYMENT BENEFITS

June 30, 2017

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	$ -	$ 549,100	$ 549,100	0.00%	$ 5,489,100	10.00%
June 30, 2013	$ -	$ 490,400	$ 490,400	$ -	$ 5,370,500	9.13%
June 30, 2010	$ -	$ 437,700	$ 437,700	$ -	$ 4,831,700	9.06%

TOWN OF ABINGDON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	$ 485,771	$ 487,115	$ 496,315
Interest	1,249,531	1,244,997	1,178,764
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(85,461)	(935,088)	-
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(739,385)	(725,110)	(732,689)
Net change in total pension liability	910,456	71,914	942,390
Total pension liability - beginning	18,220,140	18,148,226	17,205,836
Total pension liability - ending	$ 19,130,596	$ 18,220,140	$ 18,148,226
Plan fiduciary net position			
Contributions - employer	$ 446,529	$ 436,232	$ 484,889
Contributions - employee	280,345	260,646	263,590
Net investment income	283,492	708,070	2,101,401
Benefit payments, including refunds of employee contributions	(739,385)	(725,110)	(732,689)
Administrative expense	(9,853)	(9,567)	(11,213)
Other	(119)	(152)	110
Net change in total pension liability	261,009	670,119	2,106,088
Total pension liability - beginning	16,077,764	15,407,645	13,301,557
Total pension liability - ending	$ 16,338,773	$ 16,077,764	$ 15,407,645
Town's net pension liability - ending	$ 2,791,823	$ 2,142,376	$ 2,740,581
Plan fiduciary net position as a percentage of the total pension liability	85.41%	88.24%	84.90%
Covered - employee payroll	$ 5,467,229	$ 5,154,890	$ 5,207,804
Town's net pension liability as a percentage of covered-employee payroll	51.06%	41.56%	52.62%

1) Fiscal year 2015 (plan year 2014) was the first year of GASB 68 implementation; therefore, only three years are shown herein.

TOWN OF ABINGDON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Contractually Required Contribution	Contributions Related to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2017	$ 344,652	$ 344,652	$ -	$ 5,467,229	6.30%
2016	$ 392,213	$ 392,213	$ -	$ 5,154,890	7.61%
2015	$ 437,062	$ 437,062	$ -	$ 5,207,804	8.39%
2014	$ 484,889	$ 484,889	$ -	$ 5,370,500	9.03%
2013	$ 766,806	$ 766,806	$ -	$ 5,321,773	14.41%
2012	$ 593,883	$ 593,883	$ -	$ 5,101,601	11.64%
2011	$ 559,371	$ 559,371	$ -	$ 4,725,709	11.84%
2010	$ 516,371	$ 516,371	$ -	$ 4,630,371	11.15%
2009	$ 505,289	$ 505,289	$ -	$ 4,444,508	11.37%
2008	$ 550,469	$ 550,469	$ -	$ 4,124,247	13.35%

The notes to required supplementary information are an integral part of this financial statement.

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 0.25% 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 0.25% per year

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

TOWN OF ABINGDON, VIRGINIA
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Special Revenue	Capital Projects		Permanent Fund	
	Electronic Village	Capital Reserve Fund	Rehabilitation Fund	Cemetery Fund	Total Non-major Governmental Funds
ASSETS					
Cash and cash equivalents - restricted	$ 736	$ 41,742	$ 14,515	$ 27,485	$ 84,478
Receivables (net of any allowance for uncollectibles):					
Accrued interest	-	-	3	12	15
Due from other funds	-	-	-	-	-
Due from other governmental units	-	-	-	-	-
TOTAL ASSETS	$ 736	$ 41,742	$ 14,518	$ 27,497	$ 84,493
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	$ -	$ -	$ -	$ 14,731	$ 14,731
Accrued liabilities	-	-	-	-	-
Due to other funds	78,678	-	718	1,097	80,493
Total Liabilities	78,678	-	718	15,828	95,224
FUND BALANCES:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Capital Projects	-	41,742	13,800	-	55,542
Parks, recreation, and cultural	-	-	-	11,669	11,669
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	(77,942)	-	-	-	(77,942)
Total Fund Balances	(77,942)	41,742	13,800	11,669	(10,731)
TOTAL LIABILITIES AND FUND BALANCES	$ 736	$ 41,742	$ 14,518	$ 27,497	$ 84,493

TOWN OF ABINGDON, VIRGINIA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	Special Revenue	Capital Projects		Permanent Fund	
	Electronic Village	Capital Reserve Fund	Rehabilitation Fund	Cemetery Fund	Total Non-major Governmental Funds
REVENUES:					
Revenue from use of money and property	$ -	$ 313	$ 7	$ 60	$ 380
Charges for services	13,864	-	-	-	13,864
Miscellaneous	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Total Revenues	13,864	313	7	60	14,244
EXPENDITURES:					
Current:					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health and welfare	-	-	-	-	-
Parks, recreation, and cultural	-	-	-	-	-
Community development	28,267	-	-	-	28,267
Total Expenditures	28,267	-	-	-	28,267
Excess (Deficiency) of Revenues Over Expenditures	(14,403)	313	7	60	(14,023)
OTHER FINANCING SOURCES (USES):					
Transfers in (out)	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balance	(14,403)	313	7	60	(14,023)
FUND BALANCE AT JULY 1	(63,539)	41,429	13,793	11,609	3,292
FUND BALANCE AT JUNE 30	$ (77,942)	$ 41,742	$ 13,800	$ 11,669	$ (10,731)

STATISTICAL SECTION

The information in this section is not audited, 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.

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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 ABINGDON, VIRGINIA
NET POSITION BY COMPONENT (UNAUDITED)
LAST TEN FISCAL YEARS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	$ 14,285,567	$ 13,679,794	$ 14,220,491	$ 16,158,134	$ 15,560,598	$ 16,231,378	$ 14,352,648	$ 15,813,168	$ 19,563,963	$ 19,320,316
Restricted	-	-	-	-	-	-	-	-	-	139,425
Unrestricted	9,550,865	10,141,073	10,389,148	9,753,516	11,658,788	9,715,284	8,527,798	4,218,991	1,888,123	1,965,338
Total governmental activities net position	23,836,432	23,820,867	24,609,639	25,911,650	27,219,386	25,946,662	22,880,446	20,032,159	21,452,086	21,425,079
Business-type activities										
Net investment in capital assets	2,660,728	2,018,814	1,759,259	2,102,664	2,016,562	2,250,767	2,268,580	2,517,019	3,130,624	3,296,488
Restricted										
Unrestricted	2,064,371	2,177,091	2,186,168	2,434,972	2,538,264	2,241,843	2,697,500	2,242,548	2,885,392	3,205,423
Total business-type activities	4,725,099	4,195,905	3,945,427	4,537,636	4,554,826	4,492,610	4,966,080	4,759,567	6,016,016	6,501,911
Primary government										
Net investment in capital assets	16,946,295	15,698,608	15,979,750	18,260,798	17,577,160	18,482,145	16,621,228	18,330,187	22,694,587	22,616,804
Restricted	-	-	-	-	-	-	-	-	-	139,425
Unrestricted	11,615,236	12,318,164	12,575,316	12,188,488	14,197,052	11,957,127	11,225,298	6,461,539	4,773,515	5,170,761
Total primary government net position	$ 28,561,531	$ 28,016,772	$ 28,555,066	$ 30,449,286	$ 31,774,212	$ 30,439,272	$ 27,846,526	$ 24,791,726	$ 27,468,102	$ 27,926,990

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.

TOWN OF ABINGDON, 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	$ 1,395,917	$ 1,530,750	$ 1,681,098	$ 1,570,248	$ 1,744,308	$ 1,660,958	$ 1,581,298	$ 1,583,573	$ 2,541,643	$ 2,437,414
Public safety	2,132,601	2,245,705	2,509,959	2,479,291	2,731,628	2,736,487	2,759,998	2,728,805	2,667,792	2,920,360
Public works	3,059,617	3,151,942	3,490,984	3,730,162	3,388,845	3,841,342	3,529,042	3,715,968	2,868,606	2,737,484
Health and welfare	8,019	9,591	2,893	2,856	3,426	5,833	6,857	264,880	65,636	37,519
Parks, recreation, and culturE	2,084,553	2,282,550	2,157,262	2,563,043	2,364,963	2,379,502	1,159,585	2,219,947	3,182,023	3,058,604
Community development	761,126	2,363,038	1,890,748	2,058,678	2,779,418	2,237,820	5,515,308	2,220,759	1,482,812	1,298,975
Interest on long-term debt	99,892	81,900	157,862	105,630	90,996	66,425	113,678	116,242	104,489	94,281
.	77,757	49,146	162,024	108,400	172,396	238,884	152,443	258,510	135,187	74,874
Total government activities expense	9,619,482	11,714,622	12,052,830	12,618,308	13,275,980	13,167,251	14,818,209	13,108,684	13,048,188	12,659,511
Business-Type Activities:										
Wastewater	2,493,805	3,019,503	2,841,104	3,068,020	3,065,046	3,088,359	2,731,185	2,663,324	2,523,852	2,661,341
Total business-type activities expenses	2,493,805	3,019,503	2,841,104	3,068,020	3,065,046	3,088,359	2,731,185	2,663,324	2,523,852	2,661,341
Total primary government expenses	$ 12,113,287	$ 14,734,125	$ 14,893,934	$ 15,686,328	$ 16,341,026	$ 16,255,610	$ 17,549,394	$ 15,772,008	$ 15,572,040	$ 15,320,852
Program Revenues										
Governmental Activities:										
Charges for services										
Public safety	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 28,505
Public works	333,103	395,439	334,577	190,709	342,103	353,943	388,670	369,912	346,394	361,054
Parks, recreation, and culture	405,620	414,540	447,700	471,311	457,742	415,470	417,119	436,640	441,508	442,265
Community development	53,553	44,948	42,573	30,992	29,187	20,200	18,014	14,390	16,163	13,864
Operating grants and contributions	1,846,283	2,035,796	2,184,325	2,095,675	2,029,874	1,738,259	1,960,808	2,460,379	1,829,418	1,916,785
Capital grants and contributions	390,489	636,891	65,229	-	255,857	218,252	32,074	696,721	330,061	142,465
Total governmental activities program revenues	3,029,048	3,527,614	3,074,404	2,788,687	3,114,763	2,746,124	2,816,685	3,978,042	2,963,544	2,904,938
Business-Type Activities:										
Charges for services										
Wastewater	2,220,040	2,445,140	2,575,312	3,078,006	3,074,637	3,018,276	3,244,042	2,966,165	3,161,540	3,135,579
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	527,000	-	-	-	-	100,000	-
Total business-type activities program revenues	2,220,040	2,445,140	2,575,312	3,605,006	3,074,637	3,018,276	3,244,042	2,966,165	3,261,540	3,135,579
Total primary government program revenues	$ 5,249,088	$ 5,972,754	$ 5,649,716	$ 6,393,693	$ 6,189,400	$ 5,764,400	$ 6,060,727	$ 6,944,207	$ 6,225,084	$ 6,040,517
Net (Expense)/Revenue										
Governmental Activities	$ (6,590,434)	$ (8,187,008)	$ (8,978,426)	$ (9,829,621)	$ (10,161,217)	$ (10,421,127)	$ (12,001,524)	$ (9,130,642)	$ (10,084,644)	$ (9,754,573)
Business-Type Activities	(273,765)	(574,363)	(265,792)	536,986	9,591	(70,083)	512,857	302,841	737,688	474,238
Total primary government net (expense)/revenue	$ (6,864,199)	$ (8,761,371)	$ (9,244,218)	$ (9,292,635)	$ (10,151,626)	$ (10,491,210)	$ (11,488,667)	$ (8,827,801)	$ (9,346,956)	$ (9,280,335)

TOWN OF ABINGDON, VIRGINIA
CHANGES IN NET POSITION (UNAUDITED)(CONTINUED)
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	$ 7,447,473	$ 8,065,200	$ 9,382,912	$ 8,612,759	$ 8,714,572	$ 8,232,362	$ 8,443,512	$ 8,854,836	$ -	$ -
Property taxes									2,747,145	2,657,010
Local sales & use tax									461,012	492,287
Utility tax									81,420	82,728
Business license tax									943,751	877,549
Franchise license tax									66,535	63,036
Communication tax									117,391	114,150
Motor vehicle license									123,503	158,206
Bank stock tax									543,899	565,666
Cigarette tax									107,913	239,579
Hotel and motel room tax									812,441	832,691
Restaurant food tax									2,993,280	2,953,594
Unrestricted intergovernmental revenue	55,339	40,025	39,193	46,820	61,433	60,278	46,392	56,435	61,376	65,291
Unrestricted investment earnings	408,847	195,938	113,297	103,815	56,542	47,688	41,808	42,940	33,300	36,580
Rental of Town property	-	-	-	-	-	-	-	-	5,821	3,600
Gain on sale of capital assets	20,820	63,834		2,058,727	2,233,711	-	-	-	-	-
Other	154,440	338,580	255,026	309,510	528,295	479,636	403,595	300,021	2,910,734	585,599
Transfers	-	-	-	-	-	-	-	-	-	-
Total governmental activities	8,086,919	8,703,577	9,790,428	11,131,631	11,594,553	8,819,964	8,935,307	9,254,232	12,009,521	9,727,566
Business-Type Activities:										
Unrestricted investment earnings	87,851	45,169	15,314	17,223	7,599	7,868	4,719	3,553	6,031	11,657
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	87,851	45,169	15,314	17,223	7,599	7,868	4,719	3,553	6,031	11,657
Total primary government	$ 8,174,770	$ 8,748,746	$ 9,805,742	$ 11,148,854	$ 11,602,152	$ 8,827,832	$ 8,940,026	$ 9,257,785	$ 12,015,552	$ 9,739,223
Change in Net Position										
Governmental Activities	$ 1,496,485	$ 516,569	$ 812,002	$ 1,302,010	$ 1,433,336	$ (1,601,163)	$ (3,066,217)	$ 123,590	$ 1,924,877	$ (27,007)
Business-Type Activities	(185,914)	(529,194)	(250,478)	554,209	17,190	(62,215)	517,576	306,394	743,719	485,895
Total primary government	$ 1,310,571	$ (12,625)	$ 561,524	$ 1,856,219	$ 1,450,526	$ (1,663,378)	$ (2,548,641)	$ 429,984	$ 2,668,596	$ 458,888

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

TABLE 3

TOWN OF ABINGDON, VIRGINIA
FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
LAST TEN FISCAL YEARS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	$ 4,512	$ 512	$ 750	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved	8,456,012	9,445,800	9,452,318	-	-	-	-	-	-	-
Nonspendable	-	-	-	750	1,250	1,500	1,500	101,045	111,657	4,006
Restricted	-	-	-	700,493	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	8,858,260	10,600,010	8,830,335	7,174,706	5,769,280	4,957,351	4,998,760
Total general fund	$ 8,460,524	$ 9,446,312	$ 9,453,068	$ 9,559,503	$ 10,601,260	$ 8,831,835	$ 7,176,206	$ 5,870,325	$ 5,069,008	$ 5,002,766
All Other Governmental Funds										
Reserved	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Special Revenue fund	803,766	1,071,147	1,272,963	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	76,162	1,458,028	1,241,477	1,279,038	965,255	66,831	67,211
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(67,292)	(52,902)	(63,539)	(77,942)
Total all other governmental funds	$ 803,766	$ 1,071,147	$ 1,272,963	$ 76,162	$ 1,458,028	$ 1,241,477	$ 1,211,746	$ 912,353	$ 3,292	$ (10,731)

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.

TOWN OF ABINGDON, 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	$ 2,291,873	$ 2,353,245	$ 3,412,150	$ 2,529,150	$ 2,517,084	$ 2,582,994	$ 2,591,889	$ 2,584,556	$ 2,693,882	$ 2,699,105
Other local taxes	5,121,179	5,666,262	5,869,947	6,100,700	6,190,262	5,626,683	5,890,975	6,229,713	6,251,145	6,379,486
Permits and licenses	29,926	24,254	20,084	20,758	13,684	37,762	21,725	14,238	29,348	18,650
Fines and forfeitures	55,492	34,264	26,571	31,152	49,097	71,766	51,611	42,139	31,051	33,959
Investment earnings	408,847	195,938	113,297	103,815	56,542	47,688	41,808	42,940	39,121	40,180
Charges for services	792,276	854,927	824,850	693,012	829,032	789,613	823,803	820,942	804,065	845,688
Other revenues	35,859	25,189	8,150	72,230	220,084	60,169	150,083	27,584	2,568,021	293,099
Recovered cost	33,163	254,875	200,220	185,370	245,431	309,939	180,175	216,060	158,196	175,088
Intergovernmental	2,292,111	2,712,711	2,288,748	2,142,495	2,347,164	2,016,788	2,039,274	3,213,533	2,220,855	2,124,541
Total revenues	11,060,726	12,121,665	12,764,017	11,878,682	12,468,380	11,543,402	11,791,343	13,191,705	14,795,684	12,609,796
Expenditures										
General government	1,396,408	1,505,155	1,577,449	1,480,612	1,687,563	1,652,003	1,470,759	1,592,285	2,603,469	2,462,276
Public safety	2,002,734	2,101,677	2,367,422	2,283,745	2,483,125	2,497,255	2,610,797	3,253,764	2,562,188	2,830,596
Public works	3,192,441	3,160,719	3,243,545	3,564,703	3,257,329	3,677,910	3,467,668	3,567,118	2,962,420	2,674,970
Health and welfare	8,019	9,591	2,893	2,856	3,426	5,833	6,857	6,285	65,636	37,519
Parks, recreation, and culture	2,031,323	2,123,965	2,329,850	2,363,492	2,305,565	2,298,874	2,427,584	2,291,793	3,288,799	3,018,181
Community development	1,511,014	1,858,791	1,613,257	1,950,407	2,370,336	2,572,550	3,757,827	2,099,266	1,434,039	1,243,488
Contingencies	77,757	49,147	162,024	138,671	172,396	238,884	152,442	258,510	143,458	74,874
Capital projects	1,558,482	3,346,647	931,778	87,599	298,925	604,659	453,073	1,824,652	2,289,700	123,356
Debt service										
Principal	364,354	357,628	509,262	2,830,875	566,761	519,849	1,756,694	568,136	569,563	545,535
Interest	-	-	-	-	-	-	-	-	110,969	97,631
Total expenditures	12,142,532	14,513,320	12,737,480	14,702,960	13,145,426	14,067,817	16,103,701	15,461,809	16,030,241	13,108,426
Excess of revenues over (under) expenditures	(1,081,806)	(2,391,655)	26,537	(2,824,278)	(677,046)	(2,524,415)	(4,312,358)	(2,270,104)	(1,234,557)	(498,630)
Other Financing Sources (Uses)										
Proceeds from sale of assets	20,820	63,834	-	2,070,000	2,233,711	-	-	-	7,234	7,037
Proceeds from borrowing	-	3,581,000	182,033	155,870	375,000	210,000	2,600,000	691,827	78,300	70,133
Insurance Recoveries	-	-	-	-	-	-	-	-	116,884	341,195
Transfers in (out)	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	20,820	3,644,834	182,033	2,225,870	2,608,711	210,000	2,600,000	691,827	202,418	418,365
Net change in fund balance	$ (1,060,986)	$ 1,253,179	$ 208,570	$ (598,408)	$ 1,931,665	$ (2,314,415)	$ (1,712,358)	$ (1,578,277)	$ (1,032,139)	$ (80,265)
Debt service as a percentage of noncapital expenditures	3.09%	2.53%	4.16%	23.84%	4.51%	3.84%	12.24%	3.81%	4.43%	5.16%

TABLE 5

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

Fiscal Years Ended June 30	Real Estate	Personal Property	Machinery and Tools	Public Utilities Real Estate	Public Utilities Personal Property	Mobile Homes	Total Assessed Value	Total Direct Tax rate per $100
2017	$ 770,852,000	$ 87,360,615	$ 3,762,980	$ 23,936,753	$ 93,948	$ 827,012	$ 886,833,308	0.304
2016	$ 743,344,400	$ 91,104,836	$ 3,808,370	$ 23,829,224	$ 9,415	$ 729,889	$ 862,826,134	0.312
2015	$ 743,196,200	$ 93,673,085	$ -	$ 23,163,478	$ 88,963	$ 824,487	$ 860,946,213	0.300
2014	$ 734,838,050	$ 83,957,974	$ -	$ 23,201,748	$ 15,008	$ 810,190	$ 842,822,970	0.308
2013	$ 727,851,320	$ 83,025,635	$ -	$ 22,196,429	$ 424,726	$ 818,381	$ 834,316,491	0.310
2012	$ 715,761,300	$ 82,036,905	$ -	$ 22,196,195	$ 424,726	$ 1,021,085	$ 821,440,211	0.306
2011	$ 711,246,000	$ 92,449,693	$ -	$ 22,448,202	$ 406,945	$ 1,062,490	$ 827,613,330	0.306
2010	$ 644,346,200	$ 78,322,505	$ -	$ 21,519,981	$ 406,945	$ 759,626	$ 745,355,257	0.458
2009	$ 644,346,200	$ 81,439,160	$ -	$ 19,769,209	$ 233,200	$ 731,022	$ 746,518,791	0.315
2008	$ 641,517,000	$ 81,228,773	$ -	$ 21,580,382	$ 266,012	$ 709,799	$ 745,301,966	0.308

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

TABLE 6

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

Fiscal Years Ended June 30	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Public Utilities Real Estate	Public Utilities Personal Property	Overlapping Rates Washington County Real Estate	Overlapping Rates Washington County Personal Property
2017	$ 0.28	$ 0.55	$ 0.55	$ 0.28	$ 0.28	$ 0.55	$ 0.63	$ 1.70
2016	$ 0.28	$ 0.55	$ 0.55	$ 0.28	$ 0.28	$ 0.55	$ 0.63	$ 1.70
2015	$ 0.28	$ 0.55	$ 0.55	$ 0.28	$ 0.28	$ 0.55	$ 0.63	$ 1.70
2014	$ 0.28	$ 0.55	$ 0.55	$ 0.28	$ 0.28	$ 0.55	$ 0.63	$ 1.70
2013	$ 0.28	$ 0.55	$ 0.55	$ 0.28	$ 0.28	$ 0.55	$ 0.63	$ 1.70
2012	$ 0.28	$ 0.55	$ 0.55	$ 0.28	$ 0.28	$ 0.55	$ 0.63	$ 1.70
2011	$ 0.28	$ 0.55	$ 0.55	$ 0.28	$ 0.28	$ 0.55	$ 0.63	$ 1.70
2010	$ 0.28	$ 0.55	$ 0.55	$ 0.28	$ 0.28	$ 0.55	$ 0.63	$ 1.70
2009	$ 0.28	$ 0.55	$ 0.55	$ 0.28	$ 0.28	$ 0.55	$ 0.63	$ 1.70
2008	$ 0.28	$ 0.55	$ 0.55	$ 0.28	$ 0.28	$ 0.55	$ 0.63	$ 1.70

1) Rates are presented per $100 assessed value

TOWN OF ABINGDON, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)
CURRENT YEAR AND TWO YEARS AGO

June 30, 2017:

Name	Nature of Business	Assessed Value	Percent of Real Estate Levy
K-VA-T Food Stores, Inc	Retail	$ 18,576,900	27.83%
DMD LLC	Rental Real Estate-Apartments	11,677,900	17.49%
Laramie Abingdon LTD PTNRSHIP	Retail	8,795,900	13.18%
Buckhead Abingdon Inc	Hotel	5,159,700	7.73%
Frizzell, Ben M. Jr.	Retail	4,191,900	6.28%
Hargroves, Andrew J.	Professional Offices	4,052,500	6.07%
Double K. Properties LLC	Retail	3,667,200	5.49%
Abingdon Professional Centre LLC	Professional Offices	3,600,000	5.39%
Light Milling Company	Retail	3,525,600	5.28%
Southern Hospitality	Hotel	3,504,700	5.25%
Total Principal Property Taxpayers' Assessed Values		$ 66,752,300	100.00%

June 30, 2015:

Name	Nature of Business	Assessed Value	Percent of Real Estate Levy
K-VA-T Food Stores, Inc	Retail	$ 18,504,600	27.57%
DMD LLC	Rental Real Estate-Apartments	11,451,000	17.06%
Laramie Abingdon LTD PTNRSHIP	Retail	8,494,400	12.66%
Buckhead Abingdon Inc	Hotel	5,096,100	7.59%
Abingdon Professional Centre LLC	Professional Offices	4,632,100	6.90%
Frizzell, Ben M. Jr.	Retail	4,188,300	6.24%
Hargroves, Andrew J.	Professional Offices	4,048,200	6.03%
Double K. Properties LLC	Retail	3,666,000	5.46%
Light Milling Company	Retail	3,522,500	5.25%
Southern Hospitality	Hotel	3,504,700	5.22%
Total Principal Property Taxpayers' Assessed Values		$ 67,107,900	100.00%

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

TABLE 8

TOWN OF ABINGDON, 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	$ 2,681,396	$ 2,609,612	97.32%	$ 38,733	$ 2,648,345	98.77%	$ 112,486	4.20%
2016	$ 2,624,784	$ 2,576,140	98%	$ 63,074	$ 2,639,214	100.55%	$ 140,793	5.36%
2015	$ 2,754,504	$ 2,662,560	97%	$ 69,757	$ 2,732,317	99.19%	$ -	2.53%
2014	$ 2,790,613	$ 2,583,283	93%	$ 115,400	$ 2,698,683	96.71%	$ -	4.14%
2013	$ 2,616,745	$ 2,416,378	92%	$ 107,190	$ 2,523,568	96.44%	$ -	4.10%
2012	$ 2,508,632	$ 2,348,521	94%	$ 96,210	$ 2,444,731	97.45%	$ -	3.84%
2011	$ 2,577,988	$ 2,338,280	91%	$ 190,870	$ 2,529,150	98.11%	$ -	7.40%
2010	$ 3,475,376	$ 3,252,495	94%	$ 68,402	$ 3,320,897	95.56%	$ -	1.97%
2009	$ 2,273,559	$ 2,197,117	97%	$ 76,442	$ 2,273,559	100.00%	$ -	3.36%
2008	$ 2,285,547	$ 2,206,019	97%	$ 147,226	$ 2,353,245	102.96%	$ -	6.44%

(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 ABINGDON, VIRGINIA
RATIO OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Years Ended June 30	Governmental Activities: General Obligation Bonds	Governmental Activities: Capital Leases	Business-Type Activities: Revenue Bonds Wastewater Bonds	Capital Leases	Total Primary Government	Per Capita
2017	$ 3,240,109	$ 440,015	$ 8,276,643	$ -	$ 11,956,767	$ 1,479
2016	$ 3,286,557	$ 597,907	$ 9,066,253	$ 62,478	$ 13,013,195	$ 1,603
2015	$ 3,479,290	$ 896,437	$ 9,935,052	$ 122,821	$ 14,433,600	$ 1,762
2014	$ 3,744,708	$ 407,737	$ 10,784,598	$ 181,100	$ 15,118,143	$ 1,846
2013	$ 1,299,000	$ 576,803	$ 11,258,145	$ 237,387	$ 13,371,335	$ 1,632
2012	$ 1,649,000	$ 468,408	$ 10,506,480	$ 189,540	$ 12,813,428	$ 1,564
2011	$ 1,983,000	$ 245,297	$ 11,273,768	$ 182,376	$ 13,684,441	$ 1,759
2010	$ 4,511,000	$ 264,174	$ 11,928,516	$ 159,000	$ 16,862,690	$ 2,167
2009	$ 4,791,000	$ -	$ 12,578,963	$ -	$ 17,369,963	$ 2,233
2008	$ 1,480,000	$ -	$ 12,875,734	$ -	$ 14,355,734	$ 1,845

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

TABLE 10

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

Fiscal Years Ended June 30	General Bonded Debt Outstanding: General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2017	$ 3,240,109	0.37%	$ 401
2016	$ 3,286,557	0.38%	$ 405
2015	$ 3,479,290	0.40%	$ 425
2014	$ 3,744,708	0.44%	$ 457
2013	$ 1,299,000	0.16%	$ 159
2012	$ 1,649,000	0.20%	$ 201
2011	$ 1,983,000	0.24%	$ 255
2010	$ 4,511,000	0.61%	$ 580
2009	$ 4,791,000	0.64%	$ 616
2008	$ 1,480,000	0.20%	$ 190

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

TOWN OF ABINGDON, VIRGINIA
LEGAL DEBT MARGIN INFORMATION (UNAUDITED)
LAST TEN FISCAL YEARS

	Fiscal Years Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assessed valuations										
Assessed value of taxed real property	$ 641,517,000	$ 644,346,200	$ 644,346,200	$ 711,246,000	$ 715,761,300	$ 727,851,320	$ 734,838,050	$ 743,196,200	$ 743,344,400	$ 770,852,000
Legal debt margin										
Debt limit - 10 percent of total assessed value	64,151,700	64,434,620	64,434,620	71,124,600	71,576,130	72,785,132	73,483,805	74,319,620	74,334,440	77,085,200
Debt applicable to limitation:										
Total bonded debt	14,355,734	17,369,963	16,862,690	13,684,441	12,813,428	13,371,335	15,118,143	14,433,600	13,013,195	11,956,767
Less - wastewater revenue bonds and capital leases	(12,875,734)	(12,578,963)	(12,351,690)	(11,701,441)	(11,164,428)	(12,072,335)	(11,373,435)	(10,954,310)	(9,726,638)	(8,716,658)
Total amount of debt applicable to debt limitation	1,480,000	4,791,000	4,511,000	1,983,000	1,649,000	1,299,000	3,744,708	3,479,290	3,286,557	3,240,109
Legal debt margin	$ 62,671,700	$ 59,643,620	$ 59,923,620	$ 69,141,600	$ 69,927,130	$ 71,486,132	$ 69,739,097	$ 70,840,330	$ 71,047,883	$ 73,845,091
Total net debt applicable to the limit as a percentage of debt limit	2.31%	7.44%	7.00%	2.79%	2.30%	1.78%	5.10%	4.68%	4.42%	4.20%

TOWN OF ABINGDON, VIRGINIA
PLEDGED-REVENUE COVERAGE (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Years Ended June 30	Water Revenue Bonds						
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2017	$ 3,109,116	$ 1,969,670	$ 1,139,446	$ 873,512	$ 25,531	$ 899,043	1.27
2016	$ 3,064,648	$ 1,823,155	$ 1,241,493	$ 868,799	$ 30,567	$ 899,366	1.38
2015	$ 2,963,387	$ 1,907,625	$ 1,055,762	$ 865,033	$ 36,998	$ 902,031	1.17
2014	$ 3,236,016	$ 1,947,081	$ 1,288,935	$ 1,902,113	$ 51,438	$ 1,953,551	0.66
2013	$ 2,980,124	$ 2,195,216	$ 784,908	$ 745,627	$ 61,068	$ 806,695	0.97
2012	$ 2,922,659	$ 2,004,607	$ 918,052	$ 817,010	$ 62,688	$ 879,698	1.04
2011	$ 3,066,914	$ 2,016,317	$ 1,050,597	$ 654,748	$ 74,116	$ 728,864	1.44
2010	$ 2,514,223	$ 1,789,825	$ 724,398	$ 650,447	$ 77,703	$ 728,150	0.99
2009	$ 2,387,811	$ 1,911,759	$ 476,052	$ 616,343	$ 123,685	$ 740,028	0.64
2008	$ 2,200,293	$ 1,648,659	$ 551,634	$ 616,343	$ 112,236	$ 728,579	0.76

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

TOWN OF ABINGDON, VIRGINIA
DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Years Ended June 30	Population(1)	Personal Income (1)	Per Capita Median Income (1)	Median Age (2)	School Enrollment	Unemployment Rate
2017	8,083	N/A	$ 39,405	42.6	2,050	4.60%
2016	8,119	N/A	$ 48,529	42.5	N/A	4.60%
2015	8,191	N/A	$ 48,214	39.0	2,690	5.80%
2014	8,191	$ 2,916,473	$ 43,353	35.0	2,719	6.50%
2013	8,191	$ 2,826,503	$ 42,242	36.0	2,688	7.30%
2012	8,191	$ 2,847,640	$ 43,155	39.4	2,699	7.50%
2011	7,780	$ 2,663,115	$ 40,513	40.2	2,790	7.90%
2010	7,780	$ 2,393,063	$ 39,690	39.8	2,865	8.80%
2009	7,780	$ 2,439,991	$ 40,638	39.2	2,890	4.50%
2008	7,780	$ 2,580,184	$ 41,594	39.8	2,905	4.80%

1) Source: census data, Sperling's Best Places, citymelt.com and city-date.com, Bureau of Economic Analysis (BEARFACTS)
2) Data only available for last ten years

TOWN OF ABINGDON, VIRGINIA
PRINCIPAL EMPLOYERS (UNAUDITED)
CURRENT YEAR AND TWO YEARS AGO

June 30, 2017

Employer	Product or Service	Total Estimated Employment (1)
Washington County Schools	Public Agency	1000+
Johnston Memorial Hospital	Health Care	500-749*
K-VAT/Food City	Grocery Distribution	500-750
Washington County Government	Public Agency	150-249
Barter Theatre	Entertainment	150-200
Wal-Mart	Retail	150-200*
Lowe's	Retail	100-150*

*Located in Washington County

June 30, 2015

Employer	Product or Service	Total Estimated Employment (1)
Washington County Schools	Public Agency	1000+
Johnston Memorial Hospital	Health Care	500-749
K-VAT/Food City	Grocery Distribution	250-499
Washington County Government	Public Agency	150-249

(1) Source: Virginia Employment Commission

TOWN OF ABINGDON, VIRGINIA
FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION (UNAUDITED)
LAST FOUR FISCAL YEARS

	2014	2015	2016	2017
Function				
General government				
Management services	3	3	3	2
Legal	2	2	3	3
Human resources	-	1	1	1
Finance	8	8	8	8
Business incubator	2	2	3	-
Information technology	3	3	3	3
Building	3	3	4	4
Public safety				
Police	27	27	29	27
Fire	20	20	20	20
Public works				
Administration	5	5	4	5
Refuse collection	3	3	3	3
Streets	18	18	19	19
Other	7	7	8	8
Parks, recreation, and cultural				
Parks	11	11	9	13
Recreation	58	58	57	59
Tourism	4	4	5	15
Other	6	6	8	3
Wastewater operations				
Collection	10	10	10	11
Disposal	12	12	12	12
Other	1	1	1	1

1) Source: Town's finance department
2) Data not available for periods prior to June 30, 2014

TABLE 16

TOWN OF ABINGDON, 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	1,022
Fire and rescue										
Number of calls answered	426	499	454	460	432	478	484	522	411	533
Building inspections										
Permits issued	319	296	300	263	252	308	270	263	187	178
Parks and Recreation										
Youth Program Participants	2,972	3,035	3,234	3,383	3,538	3,684	3,737	4,512	4,920	5,403
Wastewater operations										
Number of service connections	-	-	-	-	-	-	-	4,940	4,977	5,039
Average daily treatment in gallons	1,740,000	2,230,000	1,790,000	2,120,000	2,070,000	2,530,000	2,150,000	2,320,000	1,970,000	2,157,742
Maximum daily capacity of plant in gallons	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000

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

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	15	18	18	18	18	18	18	18	18	18
Public works										
Streets (miles)	75	75	75	75	75	75	75	75	75	75
Streets (miles on VDOT maint inventory)	55	55	55	55	55	55	55	55	54	54
Streetlights	1,196	1,196	1,213	1,213	1,213	1,213	1,213	1,213	1,218	1,218
Traffic signals	18	18	18	18	18	18	18	18	18	17
Wastewater operations										
Miles of sanitary sewers	111	111	111	111	111	111	111	111	111	111
Miles of storm sewers	22	22	22	22	22	22	22	22	22	22
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of pumping stations	6	6	6	6	6	6	6	6	6	6

BROWNEDWARDS
certified public accountants

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*

To the Honorable Members of the Town Council
Town of Abingdon, Virginia

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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Abingdon, Virginia ("Town"), 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 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 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations we did not identify any deficiencies in internal control that we consider to be material weaknesses. **We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as Item 2017-001, which we consider to be a significant deficiency.**

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 grant 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 tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described at Item 2017-002 in the accompanying schedule of findings and responses.**

Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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 Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
November 27, 2017

TOWN OF ABINGDON, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS
June 30, 2017

As more fully described in the 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 performed tests of the Town's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia
Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Uniform Disposition of Unclaimed Property Act

State Agency Requirements
Urban Highway Maintenance

TOWN OF ABINGDON, VIRGINIA

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2017

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements of the Town of Abingdon, Virginia.
2. **One significant deficiency** relating to the audit of the financial statements was reported in the 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*.
3. **No instances of noncompliance** material to the financial statements of the Town of Abingdon, Virginia were disclosed during the audit.

B. FINDINGS AND RESPONSES – FINANCIAL STATEMENT AUDIT

2017-001: Overstatement of Capital Assets (Significant Deficiency)

Condition: There was a limited review of the capital asset listing at year-end which allowed an item that should not have been capitalized to be recorded as a capital asset.

Criteria: Capital asset listing was not reviewed sufficiently for management to remove items which should not have been capitalized.

Cause: Limited review of items included on the capital asset listing at year-end.

Effect: Statement of Net Position had overstated assets.

Context: Capital asset listing not adequately reviewed.

Recommendation: Management should implement a more detailed review of the capital asset listing and perform a reconciliation of all additions to the general ledger to make sure all assets are recorded and determine if any disposals are necessary.

Views of Responsible Officials and Planned Corrective Action: Agree-Management will work closely with audit write-up to ensure all items recorded as capital assets should be capitalized.

C. FINDINGS AND RESPONSES – COMMONWEALTH OF VIRGINIA

2017-002: Commonwealth of Virginia – Conflicts of Interest Act

Condition: There were a few instances where the proper statements were not filed timely. The State and Local Government Conflict of Interests Act requires local government officials to file certain disclosure statement forms with the clerk of the governing body at certain points during the year.

Criteria: Three items of required documentation were obtained after the due date.

Cause: Employees did not return forms in a timely manner.

Effect: Non-compliance with the State and Local Government Conflict of Interest Act.

Context: Documents not obtained in a timely manner.

Recommendation: Statements should be readily available for review to determine there are no conflicts of interest in transactions entered into by the Town.

Views of Responsible Officials and Planned Corrective Action: Agree-Management will make every effort to ensure all statements are filed in a timely manner and are readily available.

TOWN OF ABINGDON, VIRGINIA

SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

Financial Statement Audit

2016-001: Review of Capital Asset Listing (Significant Deficiency)

Condition: There was a limited review of the capital asset listing at year-end which allowed an asset that the Town purchased during the year to not be included on the listing.

Criteria: Capital asset listing was not reviewed sufficiently for management to catch items that were not added to the list.

Cause: Inadequate review of capital asset listing.

Effect: An asset purchased by the Town during the year was not included on the capital asset listing.

Context: Capital asset listing not adequately reviewed.

Current Year Status: This issue was not noted during the current year.