

TOWN OF ABINGDON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2016

PREPARED BY:

**FINANCE DEPARTMENT
TOWN OF ABINGDON, VIRGINIA**

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TOWN OF ABINGDON, VIRGINIA
TOWN OFFICIALS

June 30, 2016

TOWN COUNCIL:

Edward B. Morgan, Mayor
Cathy Lowe, Vice-Mayor
Richard E. Humphreys
Robert M. Howard
Jayne A. Duehring

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
John Dew, Director of Public Works
Kevin Worley, Director of Parks and Recreation
Kevin Costello, Director of Tourism
Floyd Bailey, Director of Information Technology
Matthew Johnson, Director of Planning
Stacey Reichler, Director of Human Resources
Sarita Moore, Director of Wastewater Operations
Marion Watts, Director of Building Inspections
Jason Boswell, Code Compliance Officer

TOWN LEGAL COUNSEL:

Deb Icenhour, Attorney at Law

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 statement of net position, balance sheet - governmental funds, and statement of net position – proprietary funds, and the related notes to the financial statements and we were engaged to audit the statement of activities; statement of revenues, expenditures, and changes in fund balance; statement of revenues, expenses, and changes in fund net position; and the statement of cash flows 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 and for the year ended June 30, 2016, 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. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statement of activities; statement of revenues, expenditures and changes in fund balance; statement of revenues, expenses and changes in fund net position; the statement of cash flows; and the related notes to these financial statements.

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 opinion on the statement of net position, balance sheet - governmental funds, and statement of net position – proprietary funds, and the related notes.

Basis for Disclaimer of Opinion

The beginning balances at July 1, 2015 are a significant part of our audit of the Town's basic financial statements for the year ended June 30, 2016 and we were unable to obtain sufficient information in order to rely upon the beginning balances. The beginning balances are integral to the current year statement of activities; statement of revenues, expenditures, and changes in fund balance; statement of revenues, expenses, and changes in fund net position; the statement of cash flows; and the related notes to these financial statements.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statement of activities; statement of revenues, expenditures, and changes in fund balance; statement of revenues, expenses, and changes in fund net position; the statement of cash flows; and the related notes to these financial statements for the Town of Abingdon, Virginia. Accordingly, we did not express an opinion on these financial statements and the related notes to these financial statements.

Opinions

In our opinion, the statement of net position, balance sheet - governmental funds, and statement of net position – proprietary funds, and the related notes to the financial statements, referred to in the first paragraph 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, 2016 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 management's discussion and analysis, budgetary comparison information, and 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 did not express an opinion or provide any assurance on the information because the limited procedures did not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted 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 Matters (Continued)

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. The combining balance sheet – non-major governmental funds has been subjected to the auditing procedures applied in the audit of the balance sheet - governmental funds financial statement 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 balance sheet – non-major governmental funds is fairly stated in all material respects in relation to the basic financial statements as a whole. As noted in the "Disclaimer of Opinion" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the combining schedule of revenues, expenditures, and changes in fund balances – non-major governmental funds for the Town of Abingdon, Virginia. Accordingly, we did not express an opinion on those financial statements.

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 did 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 30, 2016, 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 30, 2016

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2016

EXHIBIT 1

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 5,507,859	\$ 1,581,343	\$ 7,089,202
Receivables:			
Taxes, net	1,330,877	-	1,330,877
Accounts, net	70,381	608,198	678,579
Other	382,138	1,129	383,267
Prepaid expenses	105,622	21,233	126,855
Due from other governmental units	74,325	-	74,325
Internal balances	(686,496)	686,496	-
Inventory	6,035	-	6,035
Restricted assets:			
Cash	421,030	1,114,120	1,535,150
Capital assets, non-depreciable	9,215,514	25,010	9,240,524
Capital assets, depreciable, net	<u>14,232,913</u>	<u>12,109,389</u>	<u>26,342,302</u>
 Total Assets	 <u>30,660,198</u>	 <u>16,146,918</u>	 <u>46,807,116</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension contributions subsequent to measurement date	<u>333,381</u>	<u>58,832</u>	<u>392,213</u>
Total Deferred Outflows of Resources	<u>333,381</u>	<u>58,832</u>	<u>392,213</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u><u>\$ 30,993,579</u></u>	 <u><u>\$ 16,205,750</u></u>	 <u><u>\$ 47,199,329</u></u>
<u>LIABILITIES</u>			
Accounts payable	\$ 374,818	\$ 28,445	\$ 403,263
Accrued liabilities and wages	363,851	59,722	423,573
Construction bonds payable	72,003	-	72,003
Payable from restricted assets:			
Deposits	-	222,293	222,293
Accrued interest	26,642	1,780	28,422
Long-term liabilities			
Net pension liability	1,821,020	321,356	2,142,376
Due within one year	827,646	1,067,568	1,895,214
Due in more than one year	<u>4,030,908</u>	<u>8,317,009</u>	<u>12,347,917</u>
 Total Liabilities	 <u>7,516,888</u>	 <u>10,018,173</u>	 <u>17,535,061</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property taxes	1,052,424	-	1,052,424
Pension related deferred inflows	<u>972,181</u>	<u>171,561</u>	<u>1,143,742</u>
Total Deferred Inflows of Resources	<u>2,024,605</u>	<u>171,561</u>	<u>2,196,166</u>
<u>NET POSITION</u>			
Net investment in capital assets	19,563,963	3,130,624	22,694,587
Unrestricted	<u>1,888,123</u>	<u>2,885,392</u>	<u>4,773,515</u>
 Total Net Position	 <u>21,452,086</u>	 <u>6,016,016</u>	 <u>27,468,102</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	 <u><u>\$ 30,993,579</u></u>	 <u><u>\$ 16,205,750</u></u>	 <u><u>\$ 47,199,329</u></u>

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

EXHIBIT 2

FUNCTIONS/PROGRAMS:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 2,541,643	\$ -	\$ -	\$ -	\$ (2,541,643)	\$ -	\$ (2,541,643)
Public safety	2,667,792	-	226,625	-	(2,441,167)	-	(2,441,167)
Public works	2,868,606	346,394	1,602,793	257,936	(661,483)	-	(661,483)
Health and welfare	65,636	-	-	-	(65,636)	-	(65,636)
Parks, recreation, and cultural	3,182,023	441,508	-	13,425	(2,727,090)	-	(2,727,090)
Community development	1,482,812	16,163	-	58,700	(1,407,949)	-	(1,407,949)
Interest on long-term debt	104,489	-	-	-	(104,489)	-	(104,489)
Non-departmental	135,187	-	-	-	(135,187)	-	(135,187)
Total Governmental Activities	<u>13,048,188</u>	<u>804,065</u>	<u>1,829,418</u>	<u>330,061</u>	<u>(10,084,644)</u>	<u>-</u>	<u>(10,084,644)</u>
Business-Type Activities:							
Wastewater	<u>2,523,852</u>	<u>3,161,540</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>737,688</u>	<u>737,688</u>
Total Business-Type Activities	<u>2,523,852</u>	<u>3,161,540</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>737,688</u>	<u>737,688</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 15,572,040</u>	<u>\$ 3,965,605</u>	<u>\$ 1,829,418</u>	<u>\$ 430,061</u>	<u>(10,084,644)</u>	<u>737,688</u>	<u>(9,346,956)</u>
General Revenues:							
Property taxes					2,747,145	-	2,747,145
Local sales & use tax					461,012	-	461,012
Utility tax					81,420	-	81,420
Business license tax					943,751	-	943,751
Franchise license tax					66,535	-	66,535
Communication taxes					117,391	-	117,391
Motor vehicle license					123,503	-	123,503
Bank stock tax					543,899	-	543,899
Cigarette tax					107,913	-	107,913
Hotel and motel room tax					812,441	-	812,441
Restaurant food tax					2,993,280	-	2,993,280
Unrestricted intergovernmental revenue					61,376	-	61,376
Unrestricted investment earnings					33,300	6,031	39,331
Rental of Town property					5,821	-	5,821
Recovered costs					158,196	-	158,196
Other					<u>2,752,538</u>	<u>-</u>	<u>2,752,538</u>
Total general revenues and transfers					<u>12,009,521</u>	<u>6,031</u>	<u>12,015,552</u>
Change in net position					<u>1,924,877</u>	<u>743,719</u>	<u>2,668,596</u>
NET POSITION - JULY 1, as restated (Note 15)					<u>19,527,209</u>	<u>5,272,297</u>	<u>24,799,506</u>
NET POSITION - JUNE 30					<u>\$ 21,452,086</u>	<u>\$ 6,016,016</u>	<u>\$ 27,468,102</u>

TOWN OF ABINGDON, VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

EXHIBIT 3

	General Fund	Nonmajor Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 5,507,859	\$ -	\$ 5,507,859
Receivables, net:			
Taxes	1,330,877	-	1,330,877
Accounts	70,381	-	70,381
Other	382,114	24	382,138
Prepaid items	105,622	-	105,622
Due from other funds	67,280	-	67,280
Due from other governmental units	74,325	-	74,325
Inventory	6,035	-	6,035
Restricted assets:			
Cash	335,751	85,279	421,030
Total Assets	<u>\$ 7,880,244</u>	<u>\$ 85,303</u>	<u>\$ 7,965,547</u>
LIABILITIES			
Accounts payable	\$ 360,087	\$ 14,731	\$ 374,818
Accrued payroll and related liabilities	363,851	-	363,851
Construction bonds payable	72,003	-	72,003
Due to other funds	686,496	67,280	753,776
Total Liabilities	<u>1,482,437</u>	<u>82,011</u>	<u>1,564,448</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable/unearned revenue	<u>1,328,799</u>	<u>-</u>	<u>1,328,799</u>
Total Deferred Inflows of Resources	<u>1,328,799</u>	<u>-</u>	<u>1,328,799</u>
FUND BALANCES:			
Nonspendable	111,657	-	111,657
Restricted	-	66,831	66,831
Unassigned	4,957,351	(63,539)	4,893,812
Total Fund Balances	<u>5,069,008</u>	<u>3,292</u>	<u>5,072,300</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,880,244</u>	<u>\$ 85,303</u>	<u>\$ 7,965,547</u>

TOWN OF ABINGDON, VIRGINIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2016

EXHIBIT 4

Total Fund Balances per Exhibit 3-Balance Sheet-Governmental Funds **\$ 5,072,300**

**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.	23,448,427
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	276,375
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	(3,286,556)
Accrued interest payable	(26,642)
Capital leases payable	(597,908)
Other post-employment benefits	(355,928)
Compensated absences	(618,162)
Financial statement elements related to pensions are applicable to future periods, and therefore, are not reported in the funds.	
Deferred outflows of resources for 2016 employer contributions	333,381
Deferred inflows of resources for the net difference between projected and actual earnings on pension plan investments	(972,181)
Net pension liability	<u>(1,821,020)</u>
Net Position of Governmental Activities	<u><u>\$ 21,452,086</u></u>

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

EXHIBIT 5

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
REVENUES:			
General property taxes	\$ 2,693,882	\$ -	\$ 2,693,882
Other local taxes	6,251,145	-	6,251,145
Permits, privilege fees and regulatory licenses	29,348	-	29,348
Fines and forfeitures	31,051	-	31,051
Revenue from use of money and property	38,852	269	39,121
Charges for services	787,902	16,163	804,065
Miscellaneous	2,568,021	-	2,568,021
Recovered costs	158,196	-	158,196
Intergovernmental	2,220,855	-	2,220,855
Total Revenues	<u>14,779,252</u>	<u>16,432</u>	<u>14,795,684</u>
EXPENDITURES:			
Current:			
General government administration	2,603,469	-	2,603,469
Public safety	2,562,188	-	2,562,188
Public works	2,962,420	-	2,962,420
Health and welfare	65,636	-	65,636
Parks, recreation and cultural	3,288,799	-	3,288,799
Community development	1,407,224	26,815	1,434,039
Non-departmental	2,433,158	-	2,433,158
Debt Service:			
Principal	569,563	-	569,563
Interest	110,969	-	110,969
Total Expenditures	<u>16,003,426</u>	<u>26,815</u>	<u>16,030,241</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,224,174)</u>	<u>(10,383)</u>	<u>(1,234,557)</u>
OTHER FINANCING SOURCES (USES):			
Sale of property	7,234	-	7,234
Insurance recoveries	116,884	-	116,884
Loan proceeds	78,300	-	78,300
Transfers in (out)	220,439	(220,439)	-
Total Other Financing Sources (Uses)	<u>422,857</u>	<u>(220,439)</u>	<u>202,418</u>
Net Change in Fund Balance	(801,317)	(230,822)	(1,032,139)
FUND BALANCE AT JULY 1, as restated (Note 15)	<u>5,870,325</u>	<u>234,114</u>	<u>6,104,439</u>
FUND BALANCE AT JUNE 30	<u>\$ 5,069,008</u>	<u>\$ 3,292</u>	<u>\$ 5,072,300</u>

TOWN OF ABINGDON, VIRGINIA
RECONCILIATION OF THE REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

EXHIBIT 6

Net Change in Fund Balance Governmental Funds: \$ (1,032,139)

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

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of those assets is allocated over
their estimated useful lives as depreciation expense.

Capital outlay	2,995,087
Depreciation expense	(837,620)
	2,157,467

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	53,263
---	--------

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	271,033
Capital lease	298,530
Proceeds from debt	(78,300)
	491,263

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	6,480
Compensated absences	(11,782)
Other post-employment benefits	(33,533)
	(38,835)

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	333,381
Pension expense	(39,523)
	293,858

Change in Net Position of Governmental Activities \$ 1,924,877

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2016

EXHIBIT 7

	Sewer Fund
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,581,343
Receivables, net	
Accounts	608,198
Accrued interest	1,129
Due from other funds	686,496
Prepaid expenses	21,233
Restricted Assets:	
Cash	1,114,120
Capital assets, non-depreciable	25,010
Capital assets, depreciable, net	<u>12,109,389</u>
 Total Assets	 <u>16,146,918</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension contributions subsequent to measurement date	<u>58,832</u>
Total Deferred Outflows of Resources	<u>58,832</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 \$ 16,205,750
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	\$ 28,445
Accrued wages and liabilities	59,722
Payable From Restricted Assets:	
Customer deposits	222,293
Accrued interest	1,780
Long-term liabilities due within one year	<u>1,067,568</u>
Total Current Liabilities	<u>1,379,808</u>
Noncurrent liabilities:	
Net pension liability	321,356
Long-term liabilities due in more than one year	<u>8,317,009</u>
Total Noncurrent Liabilities	<u>8,638,365</u>
Total Liabilities	<u>10,018,173</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Net difference between projected and actual investment earnings on pension plan investments	<u>171,561</u>
Total Deferred Inflows of Resources	<u>171,561</u>
 <u>NET POSITION</u>	
Net investment in capital assets	3,130,624
Unrestricted	<u>2,885,392</u>
 Total Net Position	 <u>6,016,016</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	 \$ 16,205,750

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2016

EXHIBIT 8

	Sewer Fund
OPERATING REVENUES:	
Sewer service charges	\$ 2,928,557
Solid waste charges	71,118
Sewer connection charges	59,373
Miscellaneous	5,600
Total Operating Revenues	<u>3,064,648</u>
OPERATING EXPENSES:	
Personal services	945,874
Fringe benefits	332,612
Contractual services	52,290
Other charges	492,379
Depreciation	<u>670,130</u>
Total Operating Expenses	<u>2,493,285</u>
Operating Income	<u>571,363</u>
NON-OPERATING REVENUES (EXPENSES) :	
Grant revenue	100,000
Sewer impact fees	96,892
Interest income	6,031
Interest expense	<u>(30,567)</u>
Total Non-Operating Revenue (Expenses)	<u>172,356</u>
CHANGE IN NET POSITION	<u>743,719</u>
NET POSITION AT JULY 1, as restated (Note 15)	<u>5,272,297</u>
NET POSITION AT JUNE 30	<u>\$ 6,016,016</u>

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2016

EXHIBIT 9

	<u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 3,066,903
Cash payments to suppliers for goods and services	(936,289)
Cash payments to employees for services	(902,936)
Receipts (payment) of customer deposits	(3,612)
Other operating income	5,600
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,229,666</u>
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Transfers from other funds	363,968
Transfers to other funds	(1,469,611)
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	<u>(1,105,643)</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
(Increase) decrease in capital assets	(229,638)
Principal paid on long-term liabilities	(929,140)
Capital improvement fees	96,892
Contributed capital and grant revenue	100,000
Interest paid on debt contracts	(30,920)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(992,806)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	5,833
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>5,833</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	(862,950)
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,558,413</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,695,463</u>
 Displayed as:	
Cash and Cash Equivalents-Unrestricted	\$ 1,581,343
Restricted Cash	1,114,120
	<u>\$ 2,695,463</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 571,363
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	670,130
Pension expense net of employer contributions	(51,858)
Change in assets and liabilities	
(Increase) decrease in:	
Receivables, net	7,855
Prepays	(1,381)
(Decrease) increase in:	
Accounts payable	(12,236)
Customer deposits	(3,612)
Accrued wages and liabilities	19,653
Compensated absences	23,285
Other post-employment benefits	6,467
TOTAL ADJUSTMENTS	<u>658,303</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,229,666</u>

June 30, 2016

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.

June 30, 2016

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 *Sewer 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.

June 30, 2016

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 are 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:

	<u>Years</u>
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.

June 30, 2016

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 Net Position

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.

June 30, 2016

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

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

Fund Net Position (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, 2015 and prior to the reporting date of June 30, 2016, have been reported as deferred outflows of resources in the Statement of Net Position as of June 30, 2016. 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, 2015 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.

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Pensions

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

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, 2016.

Deficit Fund Balance

At June 30, 2016, the following fund had a deficit fund balance:

Electronic Village Fund	\$(63,539)
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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

June 30, 2016

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 (the Virginia LGIP, a 2a-7 like pool). Both SNAP and LGIP are not registered with the SEC but are overseen by the Treasurer of Virginia and the State Treasury Board. The fair value of the Town's position in the pools is the same as the value of the pool shares.

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	25%
Carter Bank & Trust	20%
LGIP	13%
Grundy National Bank	12%
New Peoples Bank	11%
Highlands Union Bank	9%
Wells Fargo	6%

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, 2016, all of the Town's investments are held in a bank's trust department in the Town's name.

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

Deposits and investments consist of the following:

Cash on hand	\$ 1,612
Deposits	1,239,389
LGIP	1,116,843
Certificates of deposit	<u>6,266,508</u>
	<u>\$8,624,352</u>

Reflected in the Statement of Net Position as follows:

Cash and cash equivalents	\$7,089,202
Restricted cash and cash equivalents	<u>1,535,150</u>
	<u>\$8,624,352</u>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

4. RECEIVABLES

Receivables at June 30 are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Receivables		
Taxes	\$ 1,475,662	\$ -
Accounts	70,381	694,324
Other	394,806	1,129
	<u>1,940,849</u>	<u>695,453</u>
Less:		
Allowance for uncollectibles	<u>(157,453)</u>	<u>(86,126)</u>
Net total receivables	<u>\$ 1,783,396</u>	<u>\$ 609,327</u>

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$243,579 at June 30, 2016, and is composed of the following:

General Fund:	
Allowance for uncollectible property taxes	\$ 144,785
Allowance for uncollectible garbage fees	<u>12,668</u>
Total General Fund	<u>\$ 157,453</u>
Sewer Fund:	
Allowance for uncollectible sewer fee billings	<u>\$ 86,126</u>
Total Sewer Fund	<u>\$ 86,126</u>

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:

	<u>General Fund</u>	<u>Governmental Activities</u>
Property taxes receivable	\$ 1,316,849	\$ 1,040,474
Prepaid taxes	<u>11,950</u>	<u>11,950</u>
	<u>\$ 1,328,799</u>	<u>\$ 1,052,424</u>

5. DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governments consists of the following:

Commonwealth of Virginia:	
Local sales tax	\$ 37,409
Car rental tax	90
Communication tax	<u>19,326</u>
Total Commonwealth of Virginia	\$ 56,825
Washington County:	
County fire funds	<u>\$ 17,500</u>
Total Washington County	<u>17,500</u>
Total Due From Other Governmental Units	<u>\$ 74,325</u>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

6. INTERFUND OBLIGATIONS

Interfund obligations consist of the following:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
General Fund	\$ 67,280	\$ 686,496
Sewer Fund	686,496	-
Electronic Village	-	65,465
Rehabilitation Fund	-	718
Cemetery Fund	-	1,097
	<u>\$ 753,776</u>	<u>\$ 753,776</u>

7. CAPITAL ASSET DEPRECIATION

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

Governmental activities:	
General government	\$ 40,270
Public safety	241,379
Public works	205,043
Parks, recreation, and cultural	269,965
Community development	80,963
Total depreciation expense – governmental activities	<u>\$ 837,620</u>
Business-type activities:	
Sewer	<u>\$ 670,130</u>
Total depreciation expense – business-type activity	<u>\$ 670,130</u>

8. CAPITAL ASSETS

The following is a summary of changes in capital assets:

	Beginning Balance, as restated (Note 15) 7/1/2015	Additions	Deletions	Balance 6/30/2016
Governmental Activities:				
Capital assets, non-depreciable:				
Land	\$ 6,888,243	\$ 2,304,971	\$ -	\$ 9,193,214
Construction in progress	-	22,300	-	22,300
Total capital assets, non-depreciable	<u>6,888,243</u>	<u>2,327,271</u>	<u>-</u>	<u>9,215,514</u>
Capital assets, depreciable:				
Buildings and improvements	11,822,037	59,085	-	11,881,122
Infrastructure/improvements	6,460,409	535,633	-	6,996,042
Vehicles	3,618,340	65,848	-	3,684,188
Furniture and equipment	1,411,486	7,249	-	1,418,735
Total Capital Assets, Depreciable	<u>23,312,272</u>	<u>667,815</u>	<u>-</u>	<u>23,980,087</u>
Less Accumulated Depreciation For:				
Buildings and improvements	4,421,754	323,847	-	4,745,601
Infrastructure/improvements	1,220,057	292,579	-	1,512,636
Vehicles	2,374,120	203,323	-	2,577,443
Furniture and equipment	893,623	17,871	-	911,494
Total accumulated depreciation	<u>8,909,554</u>	<u>837,620</u>	<u>-</u>	<u>9,747,174</u>
Total Capital Assets, depreciable net	<u>\$ 14,402,718</u>	<u>\$ (169,805)</u>	<u>\$ -</u>	<u>\$ 14,232,913</u>
Net capital assets	<u>\$ 21,290,961</u>	<u>\$ 2,157,466</u>	<u>\$ -</u>	<u>\$ 23,448,427</u>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

8. CAPITAL ASSETS (Continued)

	Beginning Balance 7/1/2015	Additions	Deletions	Balance 6/30/2016
Business-type activities:				
Capital assets, non-depreciable:				
Land	\$ 25,010	\$ -	\$ -	\$ 25,010
Total capital assets, non-depreciable	<u>25,010</u>	<u>-</u>	<u>-</u>	<u>25,010</u>
Capital assets, depreciable:				
Buildings and improvements	155,833	-	-	155,833
Plant	23,220,736	-	-	23,220,736
Distribution and collection lines	6,495,855	-	-	6,495,855
Vehicles	1,243,999	-	-	1,243,999
Furniture and equipment	1,526,466	229,638	-	1,756,104
Total Capital Assets, Depreciable	<u>32,642,889</u>	<u>229,638</u>	<u>-</u>	<u>32,872,527</u>
Less Accumulated Depreciation For:				
Buildings and improvements	89,411	3,401	-	92,812
Plant	13,938,751	455,359	-	14,394,110
Distribution and collection lines	3,836,012	106,952	-	3,942,964
Vehicles	952,850	54,407	-	1,007,257
Furniture and equipment	1,275,984	50,011	-	1,325,995
Total accumulated depreciation	<u>20,093,008</u>	<u>670,130</u>	<u>-</u>	<u>20,763,138</u>
Total Capital Assets, depreciable net	<u>\$ 12,549,881</u>	<u>\$ (440,492)</u>	<u>\$ -</u>	<u>\$ 12,109,389</u>
Net capital assets	<u>\$ 12,574,891</u>	<u>\$ (440,492)</u>	<u>\$ -</u>	<u>\$ 12,134,399</u>

9. LONG-TERM DEBT

Changes in long-term liabilities consist of the following:

	Beginning Balance 7/1/2015	Increase	Decreases	Balance 6/30/2016	Due within One Year
Governmental Activities					
General obligation bonds	\$ 3,479,290	\$ -	\$ (271,033)	\$ 3,208,257	\$ 277,641
Notes payable	-	78,300	-	78,300	26,100
Capital leases	896,437	-	(298,530)	597,907	91,192
OPEB	322,395	33,533	-	355,928	-
Compensated absences	<u>606,380</u>	<u>252,588</u>	<u>(240,806)</u>	<u>618,162</u>	<u>432,713</u>
Total	<u>\$ 5,304,502</u>	<u>\$ 364,421</u>	<u>\$ (810,369)</u>	<u>\$ 4,858,554</u>	<u>\$ 827,646</u>
Business-Type Activities					
General obligation bonds	\$ 9,935,052	\$ -	\$ (868,799)	\$ 9,066,253	\$ 873,511
Capital lease	122,821	-	(60,343)	62,478	62,478
OPEB	61,409	6,467	-	67,876	-
Compensated absences	<u>164,685</u>	<u>75,448</u>	<u>(52,163)</u>	<u>187,970</u>	<u>131,579</u>
Total	<u>\$ 10,283,967</u>	<u>\$ 81,915</u>	<u>\$ (981,305)</u>	<u>\$ 9,384,577</u>	<u>\$ 1,067,568</u>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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.

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.

	Original Issue Amount	Interest Rates	Annual Principal Requirements	Total Outstanding
General Obligation Bonds				
General Obligation Refunding Bonds 2013	\$ 1,347,167	2.25%	\$80,898 to \$151,976	\$ 1,054,200
General Obligation Bonds 2013	2,600,000	2.50%	144,993 to 204,871	2,154,057
Total general obligation bonds				<u>\$ 3,208,257</u>

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:

	Original Issue Amount	Interest Rates	Annual Principal Requirements	Total Outstanding
Capital Leases				
Trolley	\$ 375,000	2.19%	\$ 91,192	\$ 91,192
Garbage Truck	133,000	2.00%	25,516 to 26,433	77,934
Fire Truck	558,827	3.50%	41,184 to 54,655	428,781
Total Capital Leases				<u>\$ 597,907</u>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

9. LONG-TERM DEBT (Continued)

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

Governmental Activities						
Year Ending June 30,	General Obligation		Notes		Capital Lease	
	Bonds				Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 277,641	\$ 77,572	\$ 26,100	\$ 817	\$ 157,892	\$ 18,839
2018	284,345	70,934	26,100	427	68,643	14,900
2019	290,946	64,136	26,100	34	70,647	12,896
2020	298,647	57,180	-	-	45,795	10,828
2021	305,351	50,040	-	-	47,444	9,179
2022-2026	1,346,581	140,316	-	-	207,486	19,006
2027-2031	404,746	15,240	-	-	-	-
Totals	<u>\$ 3,208,257</u>	<u>\$ 475,418</u>	<u>\$ 78,300</u>	<u>\$ 1,278</u>	<u>\$ 597,907</u>	<u>\$ 85,648</u>

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	\$ 151,635
2004 Revenue Bond	9,798,168	0.00%	597,530	6,572,824
2011 Revenue Bond	1,908,392	0.00%	95,420	1,579,394
Refunding Series 2013	1,122,433	2.25%	113,716	762,400
Total Revenue Bonds				<u>\$ 9,066,253</u>

Capital Leases

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

Capital Lease	Original Issue Amount	Interest Rates	Annual Principal Requirements	Total Outstanding
Jet Truck	\$ 297,600	3.54%	\$ 62,478	\$ 62,478
Total Capital Lease				<u>\$ 62,478</u>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

9. LONG-TERM DEBT (Continued)

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

Business-type Activities				
Year Ending June 30,	Revenue		Capital Lease	
	Bonds		Obligations	
	Principal	Interest	Principal	Interest
2017	\$ 873,511	\$ 22,102	\$ 62,478	\$ 2,212
2018	878,075	17,508	-	-
2019	882,591	12,792	-	-
2020	863,855	7,957	-	-
2021	776,849	4,225	-	-
2022-2026	3,568,649	4,538	-	-
2027-2031	1,074,630	-	-	-
2032-2033	148,093	-	-	-
Totals	<u>\$ 9,066,253</u>	<u>\$ 69,122</u>	<u>\$ 62,478</u>	<u>\$ 2,212</u>

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:			
Prepaid items	\$ 105,622	\$ -	\$ 105,622
Inventory	6,035	-	6,035
Total Non-spendable	<u>111,657</u>	<u>-</u>	<u>111,657</u>
Restricted:			
Capital projects		55,222	55,222
Cemetery	-	11,609	11,609
Total restricted	<u>-</u>	<u>66,831</u>	<u>66,831</u>
Unassigned	4,957,351	(63,539)	4,893,812
Total fund balances	<u>\$ 5,069,008</u>	<u>\$ 3,292</u>	<u>\$ 5,072,300</u>

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. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

11. Defined Benefit Pension Plan (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>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.</p>	<p>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")</p> <ul style="list-style-type: none"> • 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.
<p>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.</p> <p>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</p>	<p>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.</p> <p>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</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • 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 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

11. Defined Benefit Pension Plan (Continued)

<p>to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>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.</p>	<p>to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>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.</p>	<p>employees</p> <p>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.</p>
<p>Retirement Contributions</p> <p>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.</p>	<p>Retirement Contributions</p> <p>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.</p>	<p>Retirement Contributions</p> <p>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.</p>
<p>Creditable Service</p> <p>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.</p>	<p>Creditable Service</p> <p>Same as Plan 1.</p>	<p>Creditable Service</p> <p><u>Defined Benefit Component:</u></p> <p>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.</p> <p><u>Defined Contributions Component:</u></p>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

11. Defined Benefit Pension Plan (Continued)

		Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
<p>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.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. <u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. <ul style="list-style-type: none"> • 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.</p>
Calculating the Benefit	Calculating the Benefit	Calculating the Benefit

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

11. Defined Benefit Pension Plan (Continued)

<p>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.</p> <p>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.</p>	<p>See definition under Plan 1.</p>	<p><u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>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%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%</p> <p>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.</p>	<p>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.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u></p>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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 CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. Eligibility: Same as Plan 1	Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Not applicable. Eligibility: Same as Plan 1 and Plan 2.

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

11. Defined Benefit Pension Plan (Continued)

<p>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.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • 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. 	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
<p><u>Disability Coverage</u> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><u>Disability Coverage</u> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><u>Disability Coverage</u> Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming</p>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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 <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost. <u>Defined Contribution Component:</u> Not applicable.

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TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

11. DEFINED BENEFIT PENSION PLAN (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>58</u>
Inactive members:	
Vested inactive members	6
Non-vested inactive members	36
Inactive members active elsewhere in VRS	<u>29</u>
Total inactive members	71
Active members	<u>140</u>
Total covered employees	<u><u>269</u></u>

Contributions

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

The Town's contractually required contribution rate for the year ended June 30, 2016 was 6.95% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 \$392,213 and \$484,889 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

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, 2014, 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, 2015.

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

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

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

11. DEFINED BENEFIT PENSION PLAN (Continued)

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

Largest 10 – Non-LEOS:

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

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

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

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Town's retirement plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

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

Largest 10 – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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.

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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%
	<u>100.00%</u>		<u>5.83%</u>
	Inflation		<u>2.50%</u>
	* Expected arithmetic nominal return		<u>8.33%</u>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2014	\$ 18,148,226	\$ 15,407,645	\$ 2,740,581
Changes for the year:			
Service cost	487,115	-	487,115
Interest	1,244,997	-	1,244,997
Differences between expected and actual experience	(935,088)	-	(935,088)
Contributions - employer	-	436,232	(436,232)
Contributions - employee	-	260,646	(260,646)
Net investment income	-	708,070	(708,070)
Benefit payments, including refunds of employee contributions	(725,110)	(725,110)	-
Administrative expenses	-	(9,567)	9,567
Other changes	-	(152)	152
Net changes	71,914	670,119	(598,205)
Balance at June 30, 2015	\$ 18,220,140	\$ 16,077,764	\$ 2,142,376

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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	<u>\$ 4,661,362</u>	<u>\$ 2,142,376</u>	<u>\$ 69,031</u>

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

For the year ended June 30, 2016, the Town recognized pension expense of \$45,667. At June 30, 2016, 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	\$ -	\$ 736,976
Net difference between projected and actual earnings on pension plan investments	-	406,766
Employer contributions subsequent to the measurement date	392,213	-
Total	<u>\$ 392,213</u>	<u>\$ 1,143,742</u>

The \$392,213 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30	Reduction to Pension Expense
2017	\$ (358,311)
2018	(358,311)
2019	(358,309)
2020	(68,811)
2021	-
Thereafter	-
	<u>\$ (1,143,742)</u>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

11. DEFINED BENEFIT PENSION PLAN (Continued)

Payables to the Pension Plan

At June 30, 2016, the Town reported a payable of \$32,387 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

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 of Abingdon 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, 2016, the Town's annual OPEB costs were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Annual required contribution	\$ 45,528	\$ 8,672	\$ 54,200
Interest on net OPEB obligation	11,256	2,144	13,400
Adjustment to annual required contribution	<u>(11,928)</u>	<u>(2,272)</u>	<u>(14,200)</u>
Annual OPEB cost	44,856	8,544	53,400
Contributions made (Age Adjusted)	<u>(11,323)</u>	<u>(2,077)</u>	<u>(13,400)</u>
Increase in net OPEB obligation	33,533	6,467	40,000
Net OPEB obligation-beginning of year	<u>322,395</u>	<u>61,409</u>	<u>383,804</u>
Net OPEB obligation-end of year	<u>\$ 355,928</u>	<u>\$ 67,876</u>	<u>\$ 423,804</u>

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.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
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	11.4%	\$ 251,328
June 30, 2012	\$ 62,800	0%	\$ 188,400
June 30, 2011	\$ 62,800	0%	\$ 125,600

June 30, 2016

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

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 a 3.50 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.9 percent in 2016, graded to 4.00 percent over 82 years. A payroll growth rate of 3.00 percent 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, 2016 is 24 years.

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 2016, the Town had not designated any funding for the OPEB liability.

June 30, 2016

13. **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.

14. **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.

15. **RESTATEMENT OF NET POSITION AND PRIOR PERIOD ADJUSTMENTS TO FUND BALANCE**

Prior Period Adjustments to Fund Balance

In fiscal year 2016, an analysis of amounts previously reported as assets in the Kings Mountain/Taylor Hill-Special Revenue Fund indicated that receivables from other governments had been resolved and balances adjusted/not received with the Conditional Close issued by the Commonwealth of Virginia's Department of Housing and Community Development (Project Grant 06-29 Oversight Agency) on September 10, 2012. The Closeout represented a conclusion of the project and an administrative close of the funds creating the release of any remaining fund balance to the General Fund for finalization of the Special Revenue Fund.

The financial accounting process for the June 30, 2016 fiscal year further indicated that cash previously reported under the Sewer Improvement Fund as governmental special revenues were misclassified as such, and that these funds should be reported as "restricted cash" and related activities of the Sewer Fund as their designated purpose was for the furtherance of proprietary fund activities. The prior fund balance has been removed with a prior period adjustment from the Special Revenue classification and correctly reported as part of the Sewer Fund as of June 30, 2016.

Following are the details of the Prior Period adjustments to fund balances:

	Kings Mountain Taylor's Hill	Sewer Improvement Fund
Fund Balance (deficit) at June 30, 2015, as previously reported	\$ (15)	\$ 614,219
Closeout of Project by CDBG	(64,021)	-
Reclass from Special Revenue to Proprietary	-	(614,219)
Fund Balance at June 30, 2015, as restated	<u>\$ (64,036)</u>	<u>\$ -</u>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

15. RESTATEMENT OF NET POSITION AND PRIOR PERIOD ADJUSTMENT TO FUND BALANCE
(Continued)

Restatement of Net Position

During the financial accounting and reporting procedures for fiscal year 2016, the Town determined that the Other Post-Employment Benefits from prior years had been solely reported as General Fund activity. Since the benefits are attributable to both General Fund as well as Sewer Fund, it was concluded that these benefits should be allocated across funds to accurately reflect each funds portion and responsibility. A restatement of Beginning Net Position was made to account for the transfer of previously recorded amounts by increasing the Sewer Funds portion and decreasing those amounts from the General Fund accordingly. The adjustment amount between funds was \$61,409 for amounts reflected in the financials prior to the beginning of fiscal year 2016.

In 2012, the Town converted its accounting software from BAI to Edmunds. The conversion process created some anomalies in the historic records related to Sewer Utility Deposits involving numerous records. An audit entry was recommended and posted in 2012 to estimate the differences the conversion had created with the assumption that as actual supporting documentation for records was reviewed and updated accurately in the Edmunds system, potential changes to the estimated adjustment would be required. As of June 30, 2016, the Utility Billing Department was approximately 95% through the process of verifying actual Utility Deposit balances and correcting in the system as applicable to the specific accounts. This detailed analysis clarified balances and provided a more accurate amount to the original 2012 adjustment. In fiscal accounting cycle 2016, the Town made an adjustment of \$40,080 to the Beginning Net Position to reflect the change to the amount previously reported/adjusted related to the total Customer Utility Deposit liability.

On May 15, 2008, the Town obtained the Summers Law Office building; however, the financial accounting process for the year ended June 30, 2016 determined the asset had not previously been reflected in the government-wide financial statements. An entry was made to reflect the asset at \$137,700 and related prior period depreciation of \$25,819 to the Town's Capital Asset records. This entry created a change to the Beginning Net Position of the Town's Governmental Activities in the net amount of \$111,881.

Following are the details of the Restatement of Beginning Net Position:

	<u>Governmental Activities</u>	<u>Business-type Activities/Sewer</u>	<u>Total</u>
Net Position as previously reported at June 30, 2015	\$ 20,032,159	\$ 4,759,567	\$ 24,791,726
OPEB allocation across funds	61,409	(61,409)	-
Summers Law Office recording	111,881	-	111,881
Sewer Utility Deposit adjustment	-	(40,080)	(40,080)
King Mountain/Taylor Hill Closeout	(64,021)	-	(64,021)
Reclass of Sewer Improvement Fund cash	<u>(614,219)</u>	<u>614,219</u>	<u>-</u>
Net Position as restated at June 30, 2015	<u>\$ 19,527,209</u>	<u>\$ 5,272,297</u>	<u>\$ 24,799,506</u>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

16. SUBSEQUENT EVENTS

On September 13, 2016, the Town of Abingdon issued General Obligation Bond Series 2016 with an issuance amount of \$10,000,000 and maturity date of July 13, 2021. The 2016 Bond is being issued to a) develop and construct a public sports and recreation complex, b) make capital improvements to roads, storm drains and other infrastructure of the Town, c) renovate certain historic landmarks, structures or buildings of the Town, and d) to pay cost of issuing the bond. Interest on the Bond will be payable each June 1 and December 1 at a rate of 1.4%, beginning December 1, 2016 until maturity. On the fifth anniversary date of the bond issuance, July 13, 2021, the entire indebtedness, including all outstanding principal and accrued but unpaid interest, will be due and payable.

Effective July 1, 2016, the accounts of the Abingdon Fire Department (AFD) will be recorded in the Town's general fund. Prior to this date AFD was considered autonomous and their accounts were not recorded in the Town's accounts, with the exception of certain capital assets purchased by the Town. AFD's funding comes primarily from the Town, state fire funding, and Washington County, Virginia.

17. 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. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions* improves 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. 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, 2017.

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. 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 does not consider issues related to recognition. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or

June 30, 2016

17. FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)

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 will be effective for the year ending June 30, 2017.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. This Statement will be 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 will be effective for the year ending June 30, 2017.

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

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

TOWN OF ABINGDON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016

EXHIBIT 10

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
General property taxes	\$ 2,657,000	\$ 2,657,000	\$ 2,693,882	\$ 36,882
Other local taxes	6,312,000	6,312,000	6,251,145	(60,855)
Permits, privilege fees and regulatory licenses	14,800	14,800	29,348	14,548
Fines and forfeitures	52,800	52,800	31,051	(21,749)
Revenue from use of money and property	26,390	26,390	38,852	12,462
Charges for services	777,000	777,000	787,902	10,902
Miscellaneous	380,650	2,674,350	2,568,021	(106,329)
Recovered costs	125,440	125,440	158,196	32,756
Intergovernmental	3,940,198	3,951,666	2,220,855	(1,730,811)
Total Revenues	<u>14,286,278</u>	<u>16,591,446</u>	<u>14,779,252</u>	<u>(1,812,194)</u>
EXPENDITURES:				
General government administration	2,437,467	2,571,149	2,603,469	(32,320)
Public safety	2,643,368	2,725,372	2,562,188	163,184
Public works	3,352,144	3,086,559	2,962,420	124,139
Health and welfare	47,700	49,945	65,636	(15,691)
Parks, recreation and cultural	4,190,270	4,340,239	3,288,799	1,051,440
Community development	1,528,217	1,546,892	1,407,224	139,668
Non-departmental	197,000	2,459,478	2,433,158	26,320
Debt service	805,072	805,072	680,532	124,540
Total Expenditures	<u>15,201,238</u>	<u>17,584,706</u>	<u>16,003,426</u>	<u>1,581,280</u>
OTHER FINANCING SOURCES (USES):				
Sale of property	7,000	7,000	7,234	234
Insurance recoveries	-	-	116,884	116,884
Loan proceeds	525,000	603,300	78,300	(525,000)
Transfers in (out)	382,960	382,960	220,439	(162,521)
Total Other Financing Sources (Uses)	<u>914,960</u>	<u>993,260</u>	<u>422,857</u>	<u>(570,403)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (801,317)</u>	<u>\$ (801,317)</u>

TOWN OF ABINGDON, VIRGINIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF FUNDING PROGRESS - PENSION AND OTHER POST-EMPLOYMENT BENEFITS
 June 30, 2016

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	0.00%	5,370,500	9.13%
June 30, 2010	-	437,700	437,700	0.00%	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, 2016

	<u>2016</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 487,115	\$ 496,315
Interest	1,244,997	1,178,764
Changes of benefit terms	-	-
Differences between expected and actual experience	(935,088)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(725,110)	(732,689)
Net change in total pension liability	71,914	942,390
Total pension liability - beginning	18,148,226	17,205,836
Total pension liability - ending	<u>\$ 18,220,140</u>	<u>\$ 18,148,226</u>
Plan fiduciary net position		
Contributions - employer	\$ 436,232	\$ 484,889
Contributions - employee	260,646	263,590
Net investment income	708,070	2,101,401
Benefit payments, including refunds of employee contributions	(725,110)	(732,689)
Administrative expense	(9,567)	(11,213)
Other	(152)	110
Net change in total pension liability	670,119	2,106,088
Total pension liability - beginning	15,407,645	13,301,557
Total pension liability - ending	<u>\$ 16,077,764</u>	<u>\$ 15,407,645</u>
Town's net pension liability - ending	\$ 2,142,376	\$ 2,740,581
Plan fiduciary net position as a percentage of the total pension liability	88.24%	84.90%
Covered - employee payroll	\$ 5,154,890	\$ 5,207,804
Town's net pension liability as a percentage of covered-employee payroll	41.56%	52.62%

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

**TOWN OF ABINGDON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
JUNE 30, 2016**

Fiscal Year	Contributions Related to			Contributions as a % of	
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Covered Employee Payroll
2015	\$ 437,062	\$ 437,062	\$ -	\$ 5,207,804	8.39%
2016	\$ 392,213	\$ 392,213	\$ -	\$ 5,154,890	7.61%

1) Fiscal year 2015 was the first year of GASB 68 implementation; therefore only two years are shown herein. Additional years will be included as they become available.

TOWN OF ABINGDON, VIRGINIA
Notes to Required Supplemental Information
June 30, 2016

Change of benefit terms - There have been no significant changes to the Town's benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits.

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

Largest 10 - Non-LEOS

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

Largest 10 - LEOS

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS

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

All Others (Non 10 Largest) - LEOS

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

TOWN OF ABINGDON, VIRGINIA
GENERAL FUND REVENUES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2016

SCHEDULE 1
Page 1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
GENERAL FUND:				
Revenue from Local Sources:				
General Property Taxes:				
Real property taxes	\$ 2,051,000	\$ 2,051,000	\$ 2,094,300	\$ 43,300
Real and personal public service corporation property taxes	71,000	71,000	66,774	(4,226)
Personal property taxes	474,000	474,000	466,055	(7,945)
Machinery and tools taxes	13,000	13,000	15,483	2,483
Penalties and interest	48,000	48,000	51,270	3,270
Total General Property Taxes	<u>2,657,000</u>	<u>2,657,000</u>	<u>2,693,882</u>	<u>36,882</u>
Other Local Taxes:				
Local sales and use taxes	520,000	520,000	461,012	(58,988)
Cigarette taxes	105,000	105,000	107,913	2,913
Utility taxes	90,000	90,000	81,420	(8,580)
Business licenses taxes	924,000	924,000	943,751	19,751
Franchise license taxes	80,000	80,000	66,535	(13,465)
Communication taxes	130,000	130,000	117,391	(12,609)
Motor vehicle licenses	118,000	118,000	123,503	5,503
Bank stock taxes	500,000	500,000	543,899	43,899
Hotel and motel room taxes	875,000	875,000	812,441	(62,559)
Restaurant food taxes	2,970,000	2,970,000	2,993,280	23,280
Total Other Local Taxes	<u>6,312,000</u>	<u>6,312,000</u>	<u>6,251,145</u>	<u>(60,855)</u>
Permits, Privilege Fees, And Regulatory Licenses	<u>14,800</u>	<u>14,800</u>	<u>29,348</u>	<u>14,548</u>
Fines and Forfeitures	<u>52,800</u>	<u>52,800</u>	<u>31,051</u>	<u>(21,749)</u>
Revenue From Use Of Money and Property:				
Revenue from use of money	16,390	16,390	33,031	16,641
Revenue from use of property	10,000	10,000	5,821	(4,179)
Total Revenue From Use of Money and Property	<u>26,390</u>	<u>26,390</u>	<u>38,852</u>	<u>12,462</u>
Charges For Services:				
Charges for sanitation and waste removal	350,000	350,000	346,394	(3,606)
Charges for parks and recreation	427,000	427,000	441,508	14,508
Total Charges For Services	<u>777,000</u>	<u>777,000</u>	<u>787,902</u>	<u>10,902</u>
Other Revenue	<u>380,650</u>	<u>2,674,350</u>	<u>2,568,021</u>	<u>(106,329)</u>
Recovered Costs	<u>125,440</u>	<u>125,440</u>	<u>158,196</u>	<u>32,756</u>
Total Revenue From Local Sources	<u>\$ 10,346,080</u>	<u>\$ 12,639,780</u>	<u>\$ 12,558,397</u>	<u>\$ (81,383)</u>

TOWN OF ABINGDON, VIRGINIA
GENERAL FUND REVENUES
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
Year Ended June 30, 2016

SCHEDULE 1
Page 2

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue From The Commonwealth:				
Non-Categorical Aid:				
Litter grant	\$ -	\$ 3,468	\$ 3,468	\$ -
Motor vehicle carriers' taxes	43,000	43,000	50,306	7,306
Mobile home titling taxes	1,000	1,000	485	(515)
Rolling stock taxes	10,000	10,000	10,585	585
Assistance to localities with police departments	1,000	1,000	-	(1,000)
Total Non-Categorical Aid	55,000	58,468	64,844	6,376
Other Categorical Aid:				
Street and highway maintenance	1,553,500	1,553,500	1,584,325	30,825
Financial assistance to the arts	5,000	5,000	5,425	425
Fire programs fund	24,600	24,600	25,960	1,360
Law enforcement grant	200,000	200,000	189,012	(10,988)
VA Outdoor Foundation grant	150,000	150,000	-	(150,000)
VDOT Revenue Sharing	812,150	812,150	227,236	(584,914)
VDED Tourism grant	100,000	100,000	44,854	(55,146)
VDOT-Creeper Trail	493,698	493,698	13,846	(479,852)
Total Other Categorical Aid	3,338,948	3,338,948	2,090,658	(1,248,290)
Total Revenue From The Commonwealth	\$ 3,393,948	\$ 3,397,416	\$ 2,155,502	\$ (1,241,914)
Revenue From The Federal Government:				
Payment In Lieu of Taxes:				
Payment in lieu of property taxes	-	-	-	-
Total Payment in Lieu of Taxes	-	-	-	-
Categorical Aid:				
National Parks Service	\$ -	\$ 8,000	\$ 8,000	\$ -
Department of Transportation	-	-	11,653	11,653
Stream Restoration	10,000	10,000	15,000	5,000
Rural Development	10,000	10,000	-	(10,000)
VDOT Urban Pathways	526,250	526,250	30,700	(495,550)
Total Categorical Aid	546,250	554,250	65,353	(488,897)
Total Revenue From The Federal Government	546,250	554,250	65,353	(488,897)
TOTAL GENERAL FUND REVENUES	\$ 14,286,278	\$16,591,446	\$ 14,779,252	\$ (1,812,194)

TOWN OF ABINGDON, VIRGINIA
GENERAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2016

SCHEDULE 2
Page 1

	Budgeted Amounts			Variance with Final Budget Positive Positive (Negative)
	Original	Final	Actual	
PRIMARY GOVERNMENT				
GENERAL FUND:				
General Government Administration:				
Legislative:				
Town Council	\$ 169,497	\$ 149,634	\$ 161,874	\$ (12,240)
Total Legislative	169,497	149,634	161,874	(12,240)
General and Financial Administration:				
Town Manager	392,427	419,179	417,620	1,559
Legal and consulting	209,550	210,401	273,297	(62,896)
Independent auditor	22,000	22,000	36,125	(14,125)
Human resources	104,037	105,311	99,594	5,717
Treasurer/Finance Director	455,032	468,142	463,437	4,705
Business incubator	115,440	115,440	128,851	(13,411)
Automotive/motor pool	378,068	395,146	347,547	47,599
Risk management	149,350	149,350	135,787	13,563
Data processing	442,066	536,546	539,337	(2,791)
Total General and Financial Administration	2,267,970	2,421,515	2,441,595	(20,080)
Total General Government Administration	2,437,467	2,571,149	2,603,469	(32,320)
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	2,087,318	2,118,065	1,987,058	131,007
Total Law Enforcement and Traffic Control	2,087,318	2,118,065	1,987,058	131,007
Fire and Rescue Services:				
Volunteer fire department	351,339	399,946	372,185	27,761
Total Fire and Rescue Services	351,339	399,946	372,185	27,761
Inspections:				
Building	204,711	207,361	202,945	4,416
Total Inspections	204,711	207,361	202,945	4,416
Total Public Safety	2,643,368	2,725,372	2,562,188	163,184
Public Works:				
Maintenance of Highways, Streets, Bridges and Sidewalks:				
General administration	328,196	339,674	328,594	11,080
Highways, streets, bridges, and sidewalks	1,636,110	1,583,353	1,547,991	35,362
Storm drainage	50,000	60,000	59,329	671
Street lights	-	130,798	130,459	339
Snow and ice removal	32,500	81,808	81,442	366
GIS	76,167	74,452	71,285	3,167
Curbs and guttering	70,000	85,000	90,353	(5,353)
Total Maintenance of Highways, Streets, Bridges, and Sidewalks	2,192,973	2,355,085	2,309,453	45,632

TOWN OF ABINGDON, VIRGINIA
GENERAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
Year Ended June 30, 2016

SCHEDULE 2
Page 2

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Sanitation and Waste Removal:				
Refuse collection	\$ 422,521	\$ 423,760	\$ 514,203	\$ (90,443)
Total Sanitation and Waste Removal	<u>422,521</u>	<u>423,760</u>	<u>514,203</u>	<u>(90,443)</u>
 Maintenance of General Buildings and Grounds:				
General properties	<u>736,650</u>	<u>307,714</u>	<u>138,764</u>	<u>168,950</u>
Total Public Works	<u>3,352,144</u>	<u>3,086,559</u>	<u>2,962,420</u>	<u>124,139</u>
 Health and Welfare:				
General	-	2,245	4,436	(2,191)
Senior services	45,000	45,000	58,500	(13,500)
Brain injury services	<u>2,700</u>	<u>2,700</u>	<u>2,700</u>	<u>-</u>
Total Welfare/Social Services	<u>47,700</u>	<u>49,945</u>	<u>65,636</u>	<u>(15,691)</u>
Total Health and Welfare	<u>47,700</u>	<u>49,945</u>	<u>65,636</u>	<u>(15,691)</u>
 Parks, Recreation and Cultural:				
Administration	-	3,103	17,931	(14,828)
Parks and playgrounds	533,979	531,894	540,777	(8,883)
Coomes center	1,634,483	1,831,957	1,932,049	(100,092)
Creeper trail	499,438	408,647	15,705	392,942
Cemeteries	31,500	31,839	29,152	2,687
Art depot		479	476	3
Farmers market	13,165	25,518	24,036	1,482
King properties	254,642	266,694	130,260	136,434
Penn house	-	4,158	4,178	(20)
Latture field	6,000	17,094	14,349	2,745
Arborist	<u>33,243</u>	<u>33,625</u>	<u>26,438</u>	<u>7,187</u>
Total Parks and Recreation	<u>3,006,450</u>	<u>3,155,008</u>	<u>2,735,351</u>	<u>419,657</u>
 Cultural Enrichment:				
Musical events	170,500	170,500	173,923	(3,423)
Barter Theatre	200,000	200,000	200,000	-
Washington County Library	7,500	7,500	7,500	-
William King Arts Center	85,000	85,000	85,000	-
Historic properties	696,820	698,231	63,125	635,106
Other	<u>24,000</u>	<u>24,000</u>	<u>23,900</u>	<u>100</u>
Total Cultural Enrichment	<u>1,183,820</u>	<u>1,185,231</u>	<u>553,448</u>	<u>631,783</u>
Total Parks, Recreation and Cultural	<u>4,190,270</u>	<u>4,340,239</u>	<u>3,288,799</u>	<u>1,051,440</u>

TOWN OF ABINGDON, VIRGINIA
GENERAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
Year Ended June 30, 2016

SCHEDULE 2
Page 3

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Planning and Community Development:				
Planning	283,390	284,523	266,387	18,136
Economic Development Administration	74,808	74,808	65,266	9,542
Tourism	702,452	731,526	652,313	79,213
Transit	64,901	64,901	49,975	14,926
Community development-contributions	<u>402,666</u>	<u>391,134</u>	<u>373,283</u>	<u>17,851</u>
Total Planning and Community Development	<u>1,528,217</u>	<u>1,546,892</u>	<u>1,407,224</u>	<u>139,668</u>
 Total Community Development	 <u>1,528,217</u>	 <u>1,546,892</u>	 <u>1,407,224</u>	 <u>139,668</u>
 Non-Departmental:				
Contingency	\$ 197,000	\$ 169,778	\$ 143,458	\$ 26,320
Capital outlay	<u>-</u>	<u>2,289,700</u>	<u>2,289,700</u>	<u>-</u>
Total Non-Departmental	<u>197,000</u>	<u>2,459,478</u>	<u>2,433,158</u>	<u>26,320</u>
 Debt Service:				
Principal retirement	805,072	805,072	569,563	235,509
Interest	<u>-</u>	<u>-</u>	<u>110,969</u>	<u>(110,969)</u>
Total Non-Departmental	<u>805,072</u>	<u>805,072</u>	<u>680,532</u>	<u>124,540</u>
 TOTAL GENERAL FUND- EXPENDITURES	 <u>15,201,238</u>	 <u>17,584,706</u>	 <u>16,003,426</u>	 <u>1,581,280</u>
 OTHER FINANCING RESOURCES (USES):				
Sale of property	7,000	7,000	7,234	234
Insurance recoveries	-	-	116,884	116,884
Loan proceeds	525,000	603,300	78,300	(525,000)
Transfers in (out)	<u>382,960</u>	<u>382,960</u>	<u>220,439</u>	<u>(162,521)</u>
Total Other Financing Sources (Uses)	<u>914,960</u>	<u>993,260</u>	<u>422,857</u>	<u>(570,403)</u>
 Net Increase (Decrease) in Fund Balances	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ (801,317)</u>	 <u>\$ (801,317)</u>

**TOWN OF ABINGDON, VIRGINIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>Special Revenue</u>			<u>Capital Projects</u>		<u>Permanent Fund</u>	<u>Total Non-major Governmental Funds</u>
	<u>Electronic Village</u>	<u>Kings Mountain/ Taylor's Hill</u>	<u>Sewer Improvement Fund</u>	<u>Capital Reserve Fund</u>	<u>Rehabilitation Fund</u>	<u>Cemetery Fund</u>	
<u>ASSETS</u>							
Cash and equivalents	\$ 1,926	\$ -	\$ -	\$ 41,429	\$ 14,508	\$ 27,416	\$ 85,279
Receivables (net of any allowance for uncollectibles):							
Accrued interest	-	-	-	-	3	21	24
Due from other funds	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 1,926	\$ -	\$ -	\$ 41,429	\$ 14,511	\$ 27,437	\$ 85,303
<u>LIABILITIES AND FUND BALANCE</u>							
LIABILITIES:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,731	\$ 14,731
Accrued liabilities	-	-	-	-	-	-	-
Due to other funds	65,465	-	-	-	718	1,097	67,280
Total Liabilities	65,465	-	-	-	718	15,828	82,011
FUND BALANCES:							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
Capital Projects	-	-	-	41,429	13,793	-	55,222
Parks, recreation and cultural	-	-	-	-	-	11,609	11,609
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	(63,539)	-	-	-	-	-	(63,539)
Total Fund Balances	(63,539)	-	-	41,429	13,793	11,609	3,292
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,926	\$ -	\$ -	\$ 41,429	\$ 14,511	\$ 27,437	\$ 85,303

TOWN OF ABINGDON, VIRGINIA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2016

SCHEDULE 4

	<u>Special Revenue</u>			<u>Capital Projects</u>		<u>Permanent Fund</u>	<u>Total Non-major Governmental Funds</u>
	<u>Electronic Village</u>	<u>Kings Mountain/ Taylor's Hill</u>	<u>Sewer Improvement Fund</u>	<u>Capital Reserve Fund</u>	<u>Rehabilitation Fund</u>	<u>Cemetery Fund</u>	
REVENUES:							
Revenue from use of money and property	\$ -	\$ -	\$ -	\$ 171	\$ 7	\$ 91	\$ 269
Charges for services	16,163	-	-	-	-	-	16,163
Miscellaneous	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Total Revenues	<u>16,163</u>	<u>-</u>	<u>-</u>	<u>171</u>	<u>7</u>	<u>91</u>	<u>16,432</u>
EXPENDITURES:							
Current:							
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Parks, recreation and cultural	-	-	-	-	-	-	-
Community development	26,815	-	-	-	-	-	26,815
Total Expenditures	<u>26,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,815</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(10,652)</u>	<u>-</u>	<u>-</u>	<u>171</u>	<u>7</u>	<u>91</u>	<u>(10,383)</u>
OTHER FINANCING SOURCES (USES):							
Transfers in (out)	-	64,036	-	(284,475)	-	-	(220,439)
Total Other Financing Sources (Uses)	<u>-</u>	<u>64,036</u>	<u>-</u>	<u>(284,475)</u>	<u>-</u>	<u>-</u>	<u>(220,439)</u>
Net Change in Fund Balance	(10,652)	64,036	-	(284,304)	7	91	(230,822)
PRIOR PERIOD ADJUSTMENT	-	(64,021)	(614,219)	-	-	-	(678,240)
FUND BALANCE AT JULY 1	<u>(52,887)</u>	<u>(15)</u>	<u>614,219</u>	<u>325,733</u>	<u>13,786</u>	<u>11,518</u>	<u>912,354</u>
FUND BALANCE AT JUNE 30	<u>\$ (63,539)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,429</u>	<u>\$ 13,793</u>	<u>\$ 11,609</u>	<u>\$ 3,292</u>

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.

CONTENTS	PAGE
FINANCIAL TRENDS	62
These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	
REVENUE CAPACITY	67
These schedules contain trend information to help the reader assess the Town's most significant local revenue source, the property tax.	
DEBT CAPACITY	68
These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	
ECONOMIC AND DEMOGRAPHIC INFORMATION	73
These schedules offer economic and demographic indicators to help the reader understand the Environment within which the town's financial activities take place.	
OPERATING INFORMATION	76
These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	

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

TABLE 1

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities										
Net investment in capital assets	\$ 12,456,502	\$ 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
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	9,883,445	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
Total governmental activities net position	22,339,947	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
Business-type activities										
Net investment in capital assets	2,501,282	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
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	2,409,731	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
Total business-type activities	4,911,013	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
Primary government										
Net investment in capital assets	14,957,784	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
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	12,293,176	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
Total primary government net position	\$ 27,250,960	\$ 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

- 1) Trend data is only available for the last ten fiscal years due to implementation of GASB 34
- 2) Accounting standards require net position be reported in three categories in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net position is considered restricted when 1) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or) imposed by law through constitutional provisions or enabling legislation.

TABLE 2

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Expenses										
Governmental Activities:										
General government	\$ 1,175,481	\$ 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
Public safety	2,686,978	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
Public works	3,565,521	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
Health and welfare	1,818	8,019	9,591	2,893	2,856	3,426	5,833	6,857	264,880	65,636
Parks, recreation and cultural	1,920,190	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
Community development	1,396,464	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
Interest on long-term debt	83,431	99,892	81,900	157,862	105,630	90,996	66,425	113,678	116,242	104,489
Non-departmental	36,457	77,757	49,146	162,024	108,400	172,396	238,884	152,443	258,510	135,187
Total government activities expense	10,866,340	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
Business-Type Activities:										
Wastewater	2,437,840	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
Total business-type activities expenses	2,437,840	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
Total primary government expenses	\$ 13,304,180	\$ 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
Program Revenues										
Governmental Activities:										
Charges for services										
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public works	314,222	333,103	395,439	334,577	190,709	342,103	353,943	388,670	369,912	346,394
Parks, recreation and culture	374,461	405,620	414,540	447,700	471,311	457,742	415,470	417,119	436,640	441,508
Community development	51,772	53,553	44,948	42,573	30,992	29,187	20,200	18,014	14,390	16,163
Operating grants and contributions	2,363,323	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
Capital grants and contributions	-	390,489	636,891	65,229	-	255,857	218,252	32,074	696,721	330,061
Total governmental activities program revenues	3,103,778	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
Business-Type Activities:										
Charges for services										
Wastewater	2,323,452	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
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	527,000	-	-	-	-	100,000
Total business-type activities program revenues	2,323,452	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
Total primary government program revenues	\$ 5,427,230	\$ 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
Net (Expense)/Revenue										
Governmental Activities	\$ (7,762,562)	\$ (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)
Business-Type Activities:	(114,388)	(273,765)	(574,363)	(265,792)	536,986	9,591	(70,083)	512,857	302,841	737,688
Total primary government net (expense)/revenue	\$ (7,876,950)	\$ (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)

TABLE 2 cont.

TOWN OF ABINGDON, VIRGINIA
CHANGES IN NET POSITION (UNAUDITED)(CONTINUED)
LAST TEN FISCAL YEARS

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Revenues and other Changes in Net Position										
Governmental Activities:										
Taxes	\$ 7,093,328	\$ 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
Local sales & use tax										461,012
Utility tax										81,420
Business license tax										943,751
Franchise license tax										66,535
Communication tax										117,391
Motor vehicle license										123,503
Bank stock tax										543,899
Cigarette tax										107,913
Hotel and motel room tax										812,441
Restaurant food tax										2,993,280
Unrestricted intergovernmental revenue	53,589	55,339	40,025	39,193	46,820	61,433	60,278	46,392	56,435	61,376
Unrestricted investment earnings	490,063	408,847	195,938	113,297	103,815	56,542	47,688	41,808	42,940	33,300
Rental of Town property	-	-	-	-	-	-	-	-	-	5,821
Gain on sale of capital assets	73,129	20,820	63,834		2,058,727	2,233,711	-	-	-	-
Other	178,444	154,440	338,580	255,026	309,510	528,295	479,636	403,595	300,021	2,910,734
Transfers	(100,000)	-	-	-	-	-	-	-	-	-
Total governmental activities	7,788,553	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
Business-Type Activities:										
Unrestricted investment earnings	104,387	87,851	45,169	15,314	17,223	7,599	7,868	4,719	3,553	6,031
Transfers	100,000	-	-	-	-	-	-	-	-	-
Total business-type activities	204,387	87,851	45,169	15,314	17,223	7,599	7,868	4,719	3,553	6,031
Total primary government	\$ 7,992,940	\$ 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
Change in Net Position										
Governmental Activities	\$ 25,991	\$ 1,496,485	\$ 516,569	\$ 812,002	\$ 1,302,010	\$ 1,433,336	\$ (1,601,163)	\$ (3,066,217)	\$ 123,590	\$ 1,924,877
Business-Type Activities	89,999	(185,914)	(529,194)	(250,478)	554,209	17,190	(62,215)	517,576	306,394	743,719
Total primary government	\$ 115,990	\$ 1,310,571	\$ (12,625)	\$ 561,524	\$ 1,856,219	\$ 1,450,526	\$ (1,663,378)	\$ (2,548,641)	\$ 429,984	\$ 2,668,596

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund										
Reserved	\$ 3,007	\$ 4,512	\$ 512	\$ 750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	9,457,152	8,456,012	9,445,800	9,452,318	-	-	-	-	-	-
Nonspendable					750	1,250	1,500	1,500	101,045	111,657
Restricted					700,493	-	-	-	-	-
Committed					-	-	-	-	-	-
Assigned					-	-	-	-	-	-
Unassigned					8,858,260	10,600,010	8,830,335	7,174,706	5,769,280	4,957,351
Total general fund	<u>\$ 9,460,159</u>	<u>\$ 8,460,524</u>	<u>\$ 9,446,312</u>	<u>\$ 9,453,068</u>	<u>\$ 9,559,503</u>	<u>\$ 10,601,260</u>	<u>\$ 8,831,835</u>	<u>\$ 7,176,206</u>	<u>\$ 5,870,325</u>	<u>\$ 5,069,008</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -						
Unreserved, reported in:	865,098	803,766	1,071,147	1,272,963						
Special Revenue fund	865,098	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
Committed					-	-	-	-	-	-
Assigned					-	-	-	-	-	-
Unassigned					-	-	-	(67,292)	(52,902)	(63,539)
Total all other governmental funds	<u>\$ 865,098</u>	<u>\$ 803,766</u>	<u>\$ 1,071,147</u>	<u>\$ 1,272,963</u>	<u>\$ 76,162</u>	<u>\$ 1,458,028</u>	<u>\$ 1,241,477</u>	<u>\$ 1,211,746</u>	<u>\$ 912,353</u>	<u>\$ 3,292</u>

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

TABLE 4

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
General property taxes	\$ 2,317,059	\$ 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
Other local taxes	4,817,990	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
Permits and licenses	31,454	29,926	24,254	20,084	20,758	13,684	37,762	21,725	14,238	29,348
Fines and forfeitures	47,213	55,492	34,264	26,571	31,152	49,097	71,766	51,611	42,139	31,051
Investment earnings	490,063	408,847	195,938	113,297	103,815	56,542	47,688	41,808	42,940	39,121
Charges for services	740,455	792,276	854,927	824,850	693,012	829,032	789,613	823,803	820,942	804,065
Other revenues	473	35,859	25,189	8,150	72,230	220,084	60,169	150,083	27,584	2,568,021
Recovered cost	99,304	33,163	254,875	200,220	185,370	245,431	309,939	180,175	216,060	158,196
Intergovernmental	2,389,912	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
Total revenues	10,933,923	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
Expenditures										
General government	1,157,711	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
Public safety	2,526,369	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
Public works	3,615,701	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
Health and welfare	9,353	8,019	9,591	2,893	2,856	3,426	5,833	6,857	6,285	65,636
Parks, recreation and culture	1,866,350	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
Community development	1,559,941	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
Contingencies	36,457	77,757	49,147	162,024	138,671	172,396	238,884	152,442	258,510	143,458
Capital projects	1,016,920	1,558,482	3,346,647	931,778	87,599	298,925	604,659	453,073	1,824,652	2,289,700
Debt service										
Principal	337,701	364,354	357,628	509,262	2,830,875	566,761	519,849	1,756,694	568,136	569,563
Interest	-	-	-	-	-	-	-	-	-	110,969
Total expenditures	12,126,503	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
Excess of revenues over (under) expenditures	(1,192,580)	(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)
Other Financing Sources (Uses)										
Proceeds from sale of assets	91,700	20,820	63,834	-	2,070,000	2,233,711	-	-	-	7,234
Proceeds from borrowing	-	-	3,581,000	182,033	155,870	375,000	210,000	2,600,000	691,827	78,300
Insurance Recoveries	-	-	-	-	-	-	-	-	-	116,884
Transfers in (out)	(100,000)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(8,300)	20,820	3,644,834	182,033	2,225,870	2,608,711	210,000	2,600,000	691,827	202,418
Net change in fund balance	\$ (1,200,880)	\$ (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)
 Debt service as a percentage of noncapital expenditures	 2.86%	 3.09%	 2.53%	 4.16%	 23.84%	 4.51%	 3.84%	 12.24%	 3.81%	 4.43%

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		Mobile Homes	Total Assessed Value	Total Direct Tax rate per \$100
				Real Estate	Personal Property			
2016	\$ 743,344,400	\$ 91,104,836	\$ 3,808,370	\$ 23,829,224	\$ 9,415	\$ 799,889	\$ 862,896,134	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
2007	642,449,600	82,239,016	-	11,611,232	54,123	831,201	737,185,172	0.314

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		Overlapping Rates Washington County	
					Real Estate	Personal Property	Real Estate	Personal Property
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
2007	0.28	0.55	0.55	0.28	0.28	0.55	0.63	\$ 1.70

1) Rates are presented per \$100 assessed value

TABLE 7

**TOWN OF ABINGDON, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)
CURRENT YEAR AND ONE YEAR AGO**

June 30, 2016:

Name	Nature of Business	Assessed Value	Percent of Real Estate Levy
K-VA-T Food Stores, Inc	Retail	\$ 18,504,600	27.93%
DMD LLC	Rental Real Estate-Apartments	11,451,000	17.28%
Laramie Abingdon LTD PTNRSHIP	Retail	8,683,000	13.10%
Buckhead Abingdon Inc	Hotel	5,096,100	7.69%
Frizzell, Ben M. Jr.	Retail	4,188,300	6.32%
Hargroves, Andrew J.	Professional Offices	4,048,200	6.11%
Double K. Properties LLC	Retail	3,666,000	5.53%
Abingdon Professional Centre LLC	Professional Offices	3,600,000	5.43%
Light Milling Company	Retail	3,522,500	5.32%
Southern Hospitality	Hotel	<u>3,504,700</u>	<u>5.29%</u>
Total Principal Property Taxpayers' Assessed Values		\$ 66,264,400	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	<u>3,504,700</u>	<u>5.22%</u>
Total Principal Property Taxpayers' Assessed Value		\$ 67,107,900	100.00%

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
2016	\$ 2,624,784	\$ 2,576,140	98.15%	\$ 63,074	\$ 2,639,214	100.55%	\$ 140,793	5.36%
2015	2,754,504	2,662,560	96.66%	69,757	2,732,317	99.19%	-	2.53%
2014	2,790,613	2,583,283	92.57%	115,400	2,698,683	96.71%	-	4.14%
2013	2,616,745	2,416,378	92.34%	107,190	2,523,568	96.44%	-	4.10%
2012	2,508,632	2,348,521	93.62%	96,210	2,444,731	97.45%	-	3.84%
2011	2,577,988	2,338,280	90.70%	190,870	2,529,150	98.11%	-	7.40%
2010	3,475,376	3,252,495	93.59%	68,402	3,320,897	95.56%	-	1.97%
2009	2,273,559	2,197,117	96.64%	76,442	2,273,559	100.00%	-	3.36%
2008	2,285,547	2,206,019	96.52%	147,226	2,353,245	102.96%	-	6.44%
2007	2,257,184	2,196,832	97.33%	56,952	2,253,784	99.85%	-	2.52%

(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		Business-Type Activities		Total Primary Government	Per Capita
	General Obligation Bonds	Capital Leases	Revenue Bonds			
			Wastewater Bonds	Capital Leases		
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
2007	1,740,000	-	12,998,102	-	14,738,102	\$ 1,894

- 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**

	General Bonded Debt			
Fiscal Years Ended June 30	<u>Outstanding General Obligation Bonds</u>		Percentage of Actual Taxable Value of Property	Per Capita
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
2007	1,740,000		0.24%	224

TABLE 11

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

	Fiscal Years Ended June 30									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Assessed valuations										
Assessed value of taxed real property	\$ 642,449,600	\$ 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
Legal debt margin										
Debt limit - 10 percent of total assessed value	64,244,960	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
Debt applicable to limitation:										
Total bonded debt	14,738,102	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
Less - wastewater revenue bonds and capital leases	(12,998,102)	(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)
Total amount of debt applicable to debt limitation	1,740,000	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
Legal debt margin	\$ 62,504,960	\$ 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
Total net debt applicable to the limit as a percentage of debt limit	2.71%	2.31%	7.44%	7.00%	2.79%	2.30%	1.78%	5.10%	4.68%	4.42%

TABLE 12

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

Fiscal Years Ended June 30	Water Revenue Bonds						
	Utility	Less:	Net	Debt Service			Coverage
	Service Charges	Operating Expenses	Available Revenue	Principal	Interest	Total	
2016	\$ 3,064,648	\$ 1,828,028	\$ 1,236,620	\$ 868,799	\$ 30,567	\$ 899,366	1.37
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
2007	2,287,948	1,582,257	\$ 705,691	497,871	119,054	\$ 616,925	1.14

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

TABLE 13

**TOWN OF 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
2016	8,119	NA	48,529	42.5	NA	4.60%
2015	8,191	NA	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%
2007	7,780	2,408,226	39,148	38.6	2,933	4.50%

- 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

TABLE 14

**TOWN OF ABINGDON, VIRGINIA
PRINCIPAL EMPLOYERS (UNAUDITED)
CURRENT YEAR AND ONE YEAR AGO**

June 30, 2016		Total Estimated Employment (1)
<u>Employer</u>	<u>Product or Service</u>	
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

June 30, 2015		Total Estimated Employment (1)
<u>Employer</u>	<u>Product or Service</u>	
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

TABLE 15

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

Function	<u>2014</u>	<u>2015</u>	<u>2016</u>
General government			
Management services	3	3	3
Legal	2	2	3
Human resources	0	1	1
Finance	8	8	8
Business incubator	2	2	2.5
Information technology	3	3	3
Building	3	3	4
Public safety			
Police	27	27	28.5
Fire	20	20	20
Public works			
Administration	5	5	4
Refuse collection	3	3	3
Streets	18	18	19
other	7	7	8
Parks, recreation and cultural			
Parks	11	11	9
Recreation	58	58	57
Tourism	4	4	5
Other	6	6	7.5
Wastewater operations			
Collection	10	10	10
Disposal	12	12	12
Other	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	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Public safety										
Citations written	1,240	1,583	1,818	1,288	1,420	1,326	694	1,188	1,161	891
Fire and rescue										
Number of calls answered	387	426	499	454	460	432	478	484	522	411
Building inspections										
Permits issued	350	319	296	300	263	252	308	270	263	187
Parks and Recreation										
Youth Program Participants	2,849	2,972	3,035	3,234	3,383	3,538	3,684	3,737	4,512	4,920
Wastewater operations										
Number of service connections	-	-	-	-	-	-	-	-	4,940	4,977
Average daily treatment in gallons	1,630,000	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
Maximum daily capacity of plant in gallons	2,750,000	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

TABLE 17

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

Function	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Public safety										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	15	15	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)	54.79	54.79	54.79	54.79	54.79	54.79	54.79	54.79	54.79	54.32
Streetlights	1,196	1,196	1,196	1,213	1,213	1,213	1,213	1,213	1,213	1,218
Traffic signals	17	18	18	18	18	18	18	18	18	18
Wastewater operations										
Miles of sanitary sewers	111	111	111	111	111	111	111	111	111	111
Miles of storm sewers	22.3	22.3	22.3	22.3	22.3	22.3	22.3	22.3	22.3	22.3
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

**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
Abingdon, Virginia

We have audited the statement of net position, balance sheet - governmental funds, and statement of net position – proprietary funds, and the related notes to the financial statements, and we were engaged to audit the statement of activities; statement of revenues, expenditures, and changes in fund balance; statement of revenues, expenses, and changes in fund net position; and the statement of cash flows 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 and for the year ended June 30, 2016, 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 30, 2016.

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" paragraph in our report issued November 30, 2016, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statement of activities; statement of revenues, expenditures, and changes in fund balance; statement of revenues, expenses, and changes in fund net position; the statement of cash flows; and the related notes to these financial statements for the Town of Abingdon, Virginia. Accordingly, we did not express an opinion on these financial statements and the related notes to these financial statements.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Internal Control over Financial Reporting (Continued)

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. 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 2016-001, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described at Items 2016-002, 2016-003, 2016-004, and 2016-005 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 the response.

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
November 30, 2016

TOWN OF ABINGDON, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements which present financial position, but a disclaimer of opinion on the statement of activities; statement of revenues, expenditures, and changes in fund balance; statement of revenues, expenses, and changes in fund net position; the statement of cash flows; and the related notes to these financial statements.
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 were disclosed.

B. FINDINGS AND RESPONSES – 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.

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.

Management's Response: Agree-Management will work closely with audit write-up to ensure all capital assets are identified and additions and disposals are properly recorded in the general ledger.

C. FINDINGS AND RESPONSES – COMMONWEALTH OF VIRGINIA

2016-002: Commonwealth of Virginia – Unclaimed Property

Condition: There were a few checks outstanding over one year as of July 1, 2015 that had not been reported to the Treasury as unclaimed property.

Recommendation: Management should continue to monitor all outstanding checks for compliance with the Commonwealth of Virginia unclaimed property regulations and submit all outstanding checks aged over one year to the Treasury on a timely basis.

Management's Response: Agree-Management will closely monitor unclaimed property to ensure all checks are properly reported as required.

TOWN OF ABINGDON, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

C. FINDINGS AND RESPONSES – COMMONWEALTH OF VIRGINIA (Continued)

2016-003: 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.

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

Management's Response: Agree-Management will make every effort to ensure all statements are filed in a timely manner and are readily available.

2016-004: Commonwealth of Virginia – Security for Public Deposits Act

Condition: There was one deposit account not marked as public.

Recommendation: All deposit accounts at the Town are required to be identified as public funds in accordance with the Virginia Security for Public Deposits Act.

Management's Response: Agree-Management will move account into a public funds account when CD matures in December.

2016-005: Commonwealth of Virginia – Highway Maintenance Program

Condition: During our review of the Highway Maintenance Program, we noted excess expenditures reported on a road that was identified as ineligible.

Recommendation: Steps should be taken to ensure proper reporting of expenditures over approved roads.

Management's Response: Agree-Management will ensure that Public Works Department only report eligible road expenditures in accordance with VDOT guidelines.