

TOWN OF ABINGDON, VIRGINIA

FINANCIAL REPORT

Year Ended June 30, 2018

PREPARED BY:

**FINANCE DEPARTMENT
TOWN OF ABINGDON, VIRGINIA**

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TOWN OF ABINGDON, VIRGINIA
TOWN OFFICIALS

June 30, 2018

TOWN COUNCIL:

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

TOWN OFFICERS:

Tony Sullivan, Interim Town Manager/Police Chief
Chuck Banner, Director of Finance/Treasurer
Kim Kingsley, Town Clerk/Deputy Treasurer
Tonya Triplett, Community Development Coordinator
John McCormick, Fire Department Chief
Matthew Bolick, Director of Public Works
Kevin Worley, Director of Parks and Recreation
Jayne Duehring, Director of Tourism
Floyd Bailey, Director of Information Technology
Stacey Reichler, Director of Human Resources
Sarita Moore, Director of Wastewater Operations
Marion Watts, Director of Building Inspections
Jason Boswell, Interim Director of Planning

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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Abingdon, Virginia ("Town") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Abingdon, Virginia, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 18 to the financial statements, in 2018, the Town adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018 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, 2018

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2018

EXHIBIT 1

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 4,751,106	\$ 2,190,956	\$ 6,942,062
Receivables:			
Taxes, net	1,343,108	-	1,343,108
Accounts, net	84,199	655,722	739,921
Other	399,614	516	400,130
Due from other governmental units	920,527	-	920,527
Internal balances	(221,199)	221,199	-
Inventory	5,858	-	5,858
Restricted assets:			
Cash	256,555	1,084,374	1,340,929
Capital assets, non-depreciable	12,289,772	25,010	12,314,782
Capital assets, depreciable, net	<u>13,491,116</u>	<u>10,893,492</u>	<u>24,384,608</u>
 Total Assets	 <u>33,320,656</u>	 <u>15,071,269</u>	 <u>48,391,925</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows related to pensions	425,382	75,067	500,449
Deferred outflows related to other postemployment benefits	<u>45,598</u>	<u>5,353</u>	<u>50,951</u>
Total Deferred Outflows of Resources	<u>470,980</u>	<u>80,420</u>	<u>551,400</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ 33,791,636</u>	 <u>\$ 15,151,689</u>	 <u>\$ 48,943,325</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 841,892	\$ 53,139	\$ 895,031
Accrued liabilities and wages	178,551	40,713	219,264
Construction bonds payable	21,803	-	21,803
Payable from restricted assets:			
Deposits	-	261,475	261,475
Police seizure deposits	4,295	-	4,295
Accrued interest	24,300	1,238	25,538
Long-term liabilities:			
Net pension liability	1,107,587	195,457	1,303,044
Net other postemployment benefit liability	1,494,425	260,118	1,754,543
Due within one year	886,752	963,549	1,850,301
Due in more than one year	<u>4,931,076</u>	<u>6,602,507</u>	<u>11,533,583</u>
 Total Liabilities	 <u>9,490,681</u>	 <u>8,378,196</u>	 <u>17,868,877</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property taxes	1,103,074	-	1,103,074
Deferred inflows related to pensions	1,018,261	179,693	1,197,954
Deferred inflows related to other postemployment benefits	<u>107,667</u>	<u>16,708</u>	<u>124,375</u>
Total Deferred Inflows of Resources	<u>2,229,002</u>	<u>196,401</u>	<u>2,425,403</u>
<u>NET POSITION</u>			
Net investment in capital assets	20,451,727	3,498,859	23,950,586
Restricted	138,673	-	138,673
Unrestricted	<u>1,481,553</u>	<u>3,078,233</u>	<u>4,559,786</u>
 Total Net Position	 <u>22,071,953</u>	 <u>6,577,092</u>	 <u>28,649,045</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	 <u>\$ 33,791,636</u>	 <u>\$ 15,151,689</u>	 <u>\$ 48,943,325</u>

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

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

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	\$ 2,278,330	\$ -	\$ -	\$ -	\$ (2,278,330)	\$ -	\$ (2,278,330)
Public safety	2,812,357	24,848	262,963	-	(2,524,546)	-	(2,524,546)
Public works	2,661,221	408,613	1,662,993	941,001	351,386	-	351,386
Health and welfare	38,928	-	-	-	(38,928)	-	(38,928)
Parks, recreation, and cultural	2,896,160	457,433	6,483	132,689	(2,299,555)	-	(2,299,555)
Community development	1,112,417	12,240	34,507	17,994	(1,047,676)	-	(1,047,676)
Interest on long-term debt	98,028	-	-	-	(98,028)	-	(98,028)
Non-departmental	83,017	-	-	-	(83,017)	-	(83,017)
Total Governmental Activities	11,980,458	903,134	1,966,946	1,091,684	(8,018,694)	-	(8,018,694)
Business-Type Activities:							
Wastewater	2,796,247	3,041,260	-	-	-	245,013	245,013
Total Business-Type Activities	2,796,247	3,041,260	-	-	-	245,013	245,013
TOTAL PRIMARY GOVERNMENT	\$ 14,776,705	\$ 3,944,394	\$ 1,966,946	\$ 1,091,684	(8,018,694)	245,013	(7,773,681)
General Revenues:							
Property taxes					2,802,195	-	2,802,195
Local sales & use tax					494,985	-	494,985
Utility tax					84,375	-	84,375
Business license tax					839,908	-	839,908
Franchise license tax					77,917	-	77,917
Communication taxes					110,756	-	110,756
Motor vehicle license					145,434	-	145,434
Bank stock tax					565,205	-	565,205
Cigarette tax					276,615	-	276,615
Hotel and motel room tax					856,812	-	856,812
Restaurant food tax					3,026,101	-	3,026,101
Unrestricted intergovernmental revenue					68,533	-	68,533
Unrestricted investment earnings					39,828	19,710	59,538
Rental of Town property					3,600	-	3,600
Recovered costs					31,894	-	31,894
Other					355,854	-	355,854
Total general revenues and transfers					9,780,012	19,710	9,799,722
Change in net position					1,761,318	264,723	2,026,041
NET POSITION - JULY 1, as Restated					20,310,635	6,312,369	26,623,004
NET POSITION - JUNE 30					<u>\$ 22,071,953</u>	<u>\$ 6,577,092</u>	<u>\$ 28,649,045</u>

TOWN OF ABINGDON, VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018

EXHIBIT 3

	General Fund	Nonmajor Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 4,751,106	\$ -	\$ 4,751,106
Receivables, net:			
Taxes	1,343,108	-	1,343,108
Accounts	84,199	-	84,199
Other	399,602	12	399,614
Due from other funds	96,204	-	96,204
Due from other governmental units	920,527	-	920,527
Inventory	5,858	-	5,858
Restricted assets:			
Cash	171,650	84,905	256,555
Total Assets	<u>\$ 7,772,254</u>	<u>\$ 84,917</u>	<u>\$ 7,857,171</u>
LIABILITIES			
Accounts payable	\$ 827,161	\$ 14,731	\$ 841,892
Accrued payroll and related liabilities	178,551	-	178,551
Construction bonds payable	21,803	-	21,803
Police seizure deposits	4,295	-	4,295
Due to other funds	221,199	96,204	317,403
Total Liabilities	<u>1,253,009</u>	<u>110,935</u>	<u>1,363,944</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes	<u>1,348,878</u>	<u>-</u>	<u>1,348,878</u>
Total Deferred Inflows of Resources	<u>1,348,878</u>	<u>-</u>	<u>1,348,878</u>
FUND BALANCES (DEFICIT):			
Nonspendable	5,858	-	5,858
Restricted	70,777	67,896	138,673
Unassigned	5,093,732	(93,914)	4,999,818
Total Fund Balances (Deficit)	<u>5,170,367</u>	<u>(26,018)</u>	<u>5,144,349</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	<u>\$ 7,772,254</u>	<u>\$ 84,917</u>	<u>\$ 7,857,171</u>

TOWN OF ABINGDON, VIRGINIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2018

EXHIBIT 4

Total Fund Balances per Exhibit 3-Balance Sheet-Governmental Funds **\$ 5,144,349**

**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.	25,780,888
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	245,804
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	(4,957,788)
Accrued interest payable	(24,300)
Capital leases payable	(371,373)
Compensated absences	(488,667)
Financial statement elements related to other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources for 2018 employer contributions	35,598
Deferred outflows of resources related to other postemployment benefits	10,000
Deferred inflows of resources related to other postemployment benefits	(107,667)
Net other postemployment benefit liability	<u>(1,494,425)</u>
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources for 2018 employer contributions	425,382
Deferred outflows of resources for the net difference between projected and actual earnings on pension plan investments	554,200
Deferred inflows of resources for the net difference between projected and actual earnings on pension plan investments	(1,572,461)
Net pension liability	<u>(1,107,587)</u>
Net Position of Governmental Activities	<u><u>\$ 22,071,953</u></u>

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2018

EXHIBIT 5

	General Fund	Nonmajor Governmental Funds	Total
REVENUES:			
General property taxes	\$ 2,790,671	\$ -	\$ 2,790,671
Other local taxes	6,478,108	-	6,478,108
Permits, privilege fees and regulatory licenses	15,322	-	15,322
Fines and forfeitures	28,112	-	28,112
Revenue from use of money and property	42,743	685	43,428
Charges for services	890,894	12,240	903,134
Miscellaneous	268,987	-	268,987
Recovered costs	31,894	-	31,894
Intergovernmental	3,127,163	-	3,127,163
Total Revenues	<u>13,673,894</u>	<u>12,925</u>	<u>13,686,819</u>
EXPENDITURES:			
Current:			
General government administration	2,544,461	-	2,544,461
Public safety	2,856,972	-	2,856,972
Public works	3,015,700	-	3,015,700
Health and welfare	38,928	-	38,928
Parks, recreation and cultural	5,363,081	-	5,363,081
Community development	1,199,579	28,212	1,227,791
Non-departmental	83,017	-	83,017
Debt Service:			
Principal	462,664	-	462,664
Interest	97,020	-	97,020
Total Expenditures	<u>15,661,422</u>	<u>28,212</u>	<u>15,689,634</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,987,528)</u>	<u>(15,287)</u>	<u>(2,002,815)</u>
OTHER FINANCING SOURCES (USES):			
Sale of property	14,240	-	14,240
Insurance recoveries	29,189	-	29,189
Proceeds from issuance of debt	2,111,700	-	2,111,700
Total Other Financing Sources (Uses)	<u>2,155,129</u>	<u>-</u>	<u>2,155,129</u>
Net Change in Fund Balance	167,601	(15,287)	152,314
FUND BALANCE (DEFICIT) AT JULY 1	<u>5,002,766</u>	<u>(10,731)</u>	<u>4,992,035</u>
FUND BALANCE (DEFICIT) AT JUNE 30	<u>\$ 5,170,367</u>	<u>\$ (26,018)</u>	<u>\$ 5,144,349</u>

TOWN OF ABINGDON, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

EXHIBIT 6

Net Change in Fund Balance Governmental Funds:	\$ 152,314
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	3,572,577
Depreciation expense	<u>(873,471)</u>
	<u>2,699,106</u>
Revenues in the statement of activities that do not provide current	
financial resources are not reported as revenues in the funds.	<u>11,524</u>
The net effect of various miscellaneous transactions involving capital assets	
(i.e. sales and donations) is to decrease net assets	<u>(2,560)</u>
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	394,021
Capital lease	68,643
Proceeds from issuance of debt	<u>(2,111,700)</u>
	<u>(1,649,036)</u>
Some expenses reported in the Statement of Activities do not require the use of	
current financial resources and, therefore, are not reported as expenditures	
in governmental funds.	
Accrued interest	(1,008)
Compensated absences	75,289
Other post-employment benefits	<u>(57,041)</u>
	<u>17,240</u>
Governmental funds report pension contributions as expenditures. However, in	
the Statement of Activities, the cost of pension benefits earned net of employee	
contributions is reported as pension expense	
Employer pension contributions	425,382
Pension expense	<u>107,348</u>
	<u>532,730</u>
Change in Net Position of Governmental Activities	\$ <u>1,761,318</u>

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL -
GENERAL FUND
Year Ended June 30, 2018

EXHIBIT 7

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
General property taxes	\$ 2,894,875	\$ 2,894,875	\$ 2,790,671	\$ (104,204)
Other local taxes	6,869,000	6,869,000	6,478,108	(390,892)
Permits, privilege fees and regulatory licenses	17,000	17,000	15,322	(1,678)
Fines and forfeitures	43,000	43,000	28,112	(14,888)
Revenue from use of money and property	15,137	15,137	42,743	27,606
Charges for services	886,000	886,000	890,894	4,894
Miscellaneous	216,992	216,992	268,987	51,995
Recovered costs	130,013	130,013	31,894	(98,119)
Intergovernmental	4,994,581	4,994,581	3,127,163	(1,867,418)
Total Revenues	<u>16,066,598</u>	<u>16,066,598</u>	<u>13,673,894</u>	<u>(2,392,704)</u>
EXPENDITURES:				
General government :				
Legislative	131,504	251,504	238,384	13,120
General and financial administration	2,235,522	2,481,805	2,306,077	175,728
Total general government	<u>2,367,026</u>	<u>2,733,309</u>	<u>2,544,461</u>	<u>188,848</u>
Public safety:				
Police	2,044,802	2,061,319	2,103,619	(42,300)
Fire	451,867	456,867	483,993	(27,126)
Building Inspections	268,254	266,702	269,360	(2,658)
Total public safety	<u>2,764,923</u>	<u>2,784,888</u>	<u>2,856,972</u>	<u>(72,084)</u>
Public works:				
Maintenance of highways, streets, bridges, and sidewalks	2,570,427	2,443,825	2,384,073	59,752
Sanitation and waste removal	382,192	538,188	496,781	41,407
Maintenance of general buildings and grounds	114,201	140,879	134,846	6,033
Total public works	<u>3,066,820</u>	<u>3,122,892</u>	<u>3,015,700</u>	<u>107,192</u>
Health and welfare	38,290	38,290	38,928	(638)
Parks, recreation, and cultural	9,703,759	9,721,877	5,363,081	4,358,796
Community development	1,290,819	1,230,984	1,199,579	31,405
Non-departmental	159,223	95,757	83,017	12,740
Debt service:				
Principal	616,137	616,137	462,664	153,473
Interest	97,101	97,101	97,020	81
Total debt service	<u>713,238</u>	<u>713,238</u>	<u>559,684</u>	<u>153,554</u>
Total Expenditures	<u>20,104,098</u>	<u>20,441,235</u>	<u>15,661,422</u>	<u>4,779,813</u>
OTHER FINANCING SOURCES (USES):				
Sale of property	7,500	7,500	14,240	6,740
Insurance recoveries	30,000	42,508	29,189	(13,319)
Proceeds from issuance of debt	4,000,000	4,324,629	2,111,700	(2,212,929)
Total Other Financing Sources (Uses)	<u>4,037,500</u>	<u>4,374,637</u>	<u>2,155,129</u>	<u>(2,219,508)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,601</u>	<u>\$ 167,601</u>

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF NET POSITION -
PROPRIETARY FUND
June 30, 2018

EXHIBIT 8

	Sewer Fund
<u>ASSETS</u>	
Cash and cash equivalents	\$ 2,190,956
Receivables, net:	
Accounts	655,722
Accrued interest	516
Due from other funds	221,199
Restricted Assets:	
Cash	1,084,374
Capital assets, non-depreciable	25,010
Capital assets, depreciable, net	<u>10,893,492</u>
 Total Assets	 <u>15,071,269</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows related to pensions	75,067
Deferred outflows related to other postemployment benefits	<u>5,353</u>
Total Deferred Outflows of Resources	<u>80,420</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 \$ 15,151,689
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	\$ 53,139
Accrued wages and liabilities	40,713
Payable From Restricted Assets:	
Customer deposits	261,475
Accrued interest	1,238
Long-term liabilities due within one year	<u>963,549</u>
Total Current Liabilities	<u>1,320,114</u>
Noncurrent liabilities:	
Net pension liability	195,457
Net other postemployment benefit liability	260,118
Long-term liabilities due in more than one year	<u>6,602,507</u>
Total Noncurrent Liabilities	<u>7,058,082</u>
Total Liabilities	<u>8,378,196</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred inflows related to pensions	179,693
Deferred inflows related to other postemployment benefits	<u>16,708</u>
Total Deferred Inflows of Resources	<u>196,401</u>
 <u>NET POSITION</u>	
Net investment in capital assets	3,498,859
Unrestricted	<u>3,078,233</u>
Total Net Position	<u>6,577,092</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	 \$ 15,151,689

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

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION -
PROPRIETARY FUND
Year Ended June 30, 2018

EXHIBIT 9

	Sewer Fund
OPERATING REVENUES:	
Sewer service charges	\$ 2,910,135
Solid waste charges	66,021
Sewer connection charges	31,924
Miscellaneous	<u>33,180</u>
Total Operating Revenues	<u>3,041,260</u>
OPERATING EXPENSES:	
Personal services	1,114,222
Fringe benefits	459,892
Contractual services	95,493
Other charges	455,015
Depreciation	<u>652,566</u>
Total Operating Expenses	<u>2,777,188</u>
Operating Income	<u>264,072</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest income	19,710
Interest expense	<u>(19,059)</u>
Total Non-Operating Revenues (Expenses)	<u>651</u>
CHANGE IN NET POSITION	<u>264,723</u>
NET POSITION AT JULY 1, as Restated	<u>6,312,369</u>
NET POSITION AT JUNE 30	<u>\$ 6,577,092</u>

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
Year Ended June 30, 2018

EXHIBIT 10

	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 2,958,672
Cash payments to suppliers for goods and services	(1,082,066)
Cash payments to employees for services	(1,150,081)
Receipts (payment) of customer deposits	2,825
Other operating receipts	33,180
NET CASH PROVIDED BY OPERATING ACTIVITIES	762,530
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Transfers from other funds	137,487
Transfers to other funds	(178,361)
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	(40,874)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital assets purchases	(81,839)
Principal paid on long-term liabilities	(857,000)
Interest paid on long-term liabilities	(19,396)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(958,235)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	20,210
NET CASH PROVIDED BY INVESTING ACTIVITIES	20,210
NET DECREASE IN CASH AND CASH EQUIVALENTS	(216,369)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,491,699
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,275,330
Displayed as:	
Cash and Cash Equivalents-Unrestricted	\$ 2,190,956
Restricted Cash	1,084,374
	\$ 3,275,330
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 264,072
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	652,566
Pension expense net of employer contributions	(94,012)
Other post-employment benefits	7,837
Change in assets and liabilities	
(Increase) decrease in:	
Receivables, net	(49,408)
(Decrease) increase in:	
Accounts payable	14,509
Customer deposits	2,825
Accrued wages and liabilities	12,532
Compensated absences	(48,391)
TOTAL ADJUSTMENTS	498,458
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 762,530

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

June 30, 2018

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, 2018

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 a special revenue fund to account for the cost of implementing internet services to the community, housing funds, and other social service type activities. That fund is: Electronic Village.

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, 2018

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

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

Deposits and Investments

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

Interfund Receivables and Payables

Activity between the funds is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and is referred to as “due to/from other funds”. All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Inventory

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

Property Taxes

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

Capital Assets

Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statement. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 for machinery and equipment, \$25,000 for land, and \$100,000 for buildings, and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

	<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, 2018

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

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

Long-Term Debt

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

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

Fund Balances

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

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

Minimum Unassigned Fund Balance Policy

The Town does not maintain an unassigned minimum fund balance policy.

June 30, 2018

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

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

Fund Balances (Continued)

Resource Flow Policy

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

Encumbrances and Commitments

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

Net Position

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

- Net investment in capital assets-consists of historical cost of capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction 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 shared 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 and other postemployment benefit (OPEB) contributions made after the net pension liability measurement date of June 30, 2017 and prior to the reporting date of June 30, 2018, have been reported as deferred outflows of resources in the Statement of Net Position as of June 30, 2018. This will be applied to the net pension and OPEB liabilities in the next fiscal year.

Differences between the projected and actual pension and OPEB earnings as of the actuarial measurement date of June 30, 2017 have been reported as a deferred inflow of resources. This difference will be recognized in pension and OPEB expense over a closed five-year period.

The Town additionally reports unavailable/unearned revenue from property taxes and other receivables not collected within 45 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, 2018

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

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

Pensions

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

Other Postemployment Benefits (OPEB)

Local Health

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

Group Life Insurance

The VRS Group Life Insurance Program is a multiple employer, cost sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers.

Line of Duty Act Program

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

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

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.

June 30, 2018

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

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, 2018.

Deficit Fund Balance

At June 30, 2018, the following fund had a deficit fund balance:

Electronic Village Fund	\$(93,914)
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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 insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Investment Policy

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

Credit Risk

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

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

3. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

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

First Bank & Trust	69%
LGIP	14%
New Peoples Bank	13%

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, 2018, all of the Town’s investments are held in a bank’s trust department in the Town’s name.

Deposits and investments consist of the following:

Cash on hand	\$ 1,612
Deposits	2,882,611
LGIP	1,180,137
Certificates of deposit	<u>4,218,631</u>
	<u>\$8,282,991</u>

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

Cash and cash equivalents	\$6,942,062
Restricted cash and cash equivalents	<u>1,340,929</u>
	<u>\$8,282,991</u>

4. RECEIVABLES

Receivables at June 30 are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Receivables		
Taxes	\$ 1,488,315	\$ -
Accounts	101,933	761,498
Other	<u>399,614</u>	<u>516</u>
Gross receivables	<u>1,989,862</u>	<u>762,014</u>
Less:		
Allowance for uncollectibles	<u>(162,941)</u>	<u>(105,776)</u>
Net total receivables	<u>\$ 1,826,921</u>	<u>\$ 656,238</u>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

4. RECEIVABLES(Continued)

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$268,717 at June 30, 2018, and is composed of the following:

General Fund:	
Allowance for uncollectible property taxes	\$ 145,207
Allowance for uncollectible garbage fees	<u>17,734</u>
Total General Fund	<u>\$ 162,941</u>
Sewer Fund:	
Allowance for uncollectible sewer fee billings	<u>\$105,776</u>
Total Sewer Fund	<u>\$105,776</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:

	General Fund	Governmental Activities
Property taxes receivable	\$ 1,324,997	\$ 1,079,193
Prepaid taxes	<u>23,881</u>	<u>23,881</u>
	<u>\$ 1,348,878</u>	<u>\$ 1,103,074</u>

5. DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governments consists of the following:

Commonwealth of Virginia:	
Local sales tax	\$ 42,773
Virginia Department of Transportation	856,672
Department of Motor Vehicles	3,296
Communication tax	<u>17,786</u>
Total Commonwealth of Virginia	<u>920,527</u>
Total Due from Other Governmental Units	<u>\$920,527</u>

6. INTERFUND OBLIGATIONS

Interfund obligations consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Electronic Village	\$ 94,389
	Rehabilitation Fund	718
	Cemetery Fund	<u>1,097</u>
		96,204
Sewer	General	<u>221,199</u>
		<u>\$ 317,403</u>

TOWN OF ABINGDON, VIRGINIA
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June 30, 2018

7. CAPITAL ASSET DEPRECIATION

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

Governmental activities:	
General government	\$ 72,146
Public safety	237,429
Public works	224,009
Parks, recreation, and cultural	266,739
Community development	73,148
Total depreciation expense – governmental activities	<u>\$ 873,471</u>
Business-type activities:	
Sewer	<u>\$ 652,566</u>
Total depreciation expense – business-type activity	<u>\$ 652,566</u>

8. CAPITAL ASSETS

The following is a summary of changes in capital assets:

	Beginning Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
Governmental Activities:				
Capital assets, non-depreciable:				
Land	\$ 9,380,603	\$ 422,720	\$ -	\$ 9,803,323
Construction in progress	99,169	2,387,280	-	2,486,449
Total capital assets, non-depreciable	<u>9,479,772</u>	<u>2,810,000</u>	<u>-</u>	<u>12,289,772</u>
Capital assets, depreciable:				
Buildings and improvements	11,881,122	36,970	-	11,918,092
Infrastructure/improvements	7,140,489	232,683	-	7,373,172
Vehicles	3,714,163	234,541	526,601	3,422,103
Furniture and equipment	1,443,570	258,383	8,648	1,693,305
Total capital assets, depreciable	<u>24,179,344</u>	<u>762,577</u>	<u>535,249</u>	<u>24,406,672</u>
Less Accumulated Depreciation For:				
Buildings and improvements	5,070,191	325,049	-	5,395,240
Infrastructure/improvements	1,706,986	201,155	-	1,908,141
Vehicles	2,748,776	193,745	524,041	2,418,480
Furniture and equipment	1,048,821	153,522	8,648	1,193,695
Total accumulated depreciation	<u>10,574,774</u>	<u>873,471</u>	<u>532,689</u>	<u>10,915,556</u>
Total capital assets, depreciable net	<u>13,604,570</u>	<u>(110,894)</u>	<u>2,560</u>	<u>13,491,116</u>
Net capital assets	<u>\$ 23,084,342</u>	<u>\$ 2,699,106</u>	<u>\$ 2,560</u>	<u>\$ 25,780,888</u>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

8. CAPITAL ASSETS (Continued)

	Beginning Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
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	18,095	-	173,928
Plant	23,220,736	-	-	23,220,736
Distribution and collection lines	6,502,140	-	-	6,502,140
Vehicles	1,243,999	-	-	1,243,999
Furniture and equipment	1,770,789	63,744	-	1,834,533
Total capital assets, depreciable	<u>32,893,497</u>	<u>81,839</u>	<u>-</u>	<u>32,975,336</u>
Less Accumulated Depreciation For:				
Buildings and improvements	96,213	3,855	-	100,068
Plant	14,849,469	454,579	-	15,304,048
Distribution and collection lines	4,039,881	86,189	-	4,126,070
Vehicles	1,061,664	47,409	-	1,109,073
Furniture and equipment	1,382,051	60,534	-	1,442,585
Total accumulated depreciation	<u>21,429,278</u>	<u>652,566</u>	<u>-</u>	<u>22,081,844</u>
Total capital assets, depreciable net	<u>\$ 11,464,219</u>	<u>\$ (570,727)</u>	<u>\$ -</u>	<u>\$ 10,893,492</u>
Net capital assets	<u>\$ 11,489,229</u>	<u>\$ (570,727)</u>	<u>\$ -</u>	<u>\$ 10,918,502</u>

9. LONG-TERM DEBT

Changes in long-term liabilities consist of the following:

	Beginning Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018	Due within One Year
Governmental Activities					
General obligation bonds	\$ 3,062,909	\$ 1,787,071	\$ (305,421)	\$ 4,544,559	\$ 312,476
Notes payable	177,200	324,629	(88,600)	413,229	161,562
Capital leases	440,015	-	(68,642)	371,373	70,647
Compensated absences	<u>563,956</u>	<u>284,182</u>	<u>(359,471)</u>	<u>488,667</u>	<u>342,067</u>
Total	<u>\$ 4,244,080</u>	<u>\$ 2,395,882</u>	<u>\$ (822,134)</u>	<u>\$ 5,817,828</u>	<u>\$ 886,752</u>
Business-Type Activities					
Revenue bonds	\$ 8,276,643	\$ -	\$ (857,000)	\$ 7,419,643	\$ 861,060
Compensated absences	<u>194,804</u>	<u>75,261</u>	<u>(123,652)</u>	<u>146,413</u>	<u>102,489</u>
Total	<u>\$ 8,471,447</u>	<u>\$ 75,261</u>	<u>\$ (980,652)</u>	<u>\$ 7,566,056</u>	<u>\$ 963,549</u>

June 30, 2018

9. LONG-TERM DEBT (Continued)

Governmental Activities:

Refunding Bonds

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

Notes Payable

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

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

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

The Town entered into a loan agreement with First Bank and Trust Company on July 25, 2017. The note was for technology upgrades. Principal installments of \$48,000 are due annually until maturity at July 25, 2021. The interest rate on the loan is 1.45% and interest payments are due semi-annually for the life of the loan.

The Town entered into a collateralized loan agreement with Highlands Union Bank on June 12, 2018. The note was to purchase a 2019 Kenworth T370 and is collateralized by the same. Principal and interest installments of \$28,961 are due annually until maturity at June 15, 2023. The interest rate on the loan is 2.95% 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. The \$10,000,000 general obligation bond is being drawn down as expenses are incurred. The outstanding balance at year-end is a reflection of the total amount drawn as of June 30, 2018.

	Original Issue Amount	Interest Rates	Annual Principal Requirements	Total Outstanding
General Obligation Bonds				
General Obligation Refunding Bonds 2013	\$ 1,347,167	2.25%	\$93,990 to \$151,976	\$ 703,422
General Obligation Bonds 2013	2,600,000	2.50%	164,046 to 204,871	1,837,871
General Obligation Bonds 2016	10,000,000	1.40%	Interest only to maturity	2,003,266
Total General Obligation Bonds				<u>\$ 4,544,559</u>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

9. LONG-TERM DEBT (Continued)

Capital Leases

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

Capital Leases	Original Issue Amount	Interest Rates	Annual Principal Requirements	Total Outstanding
Garbage Truck	\$ 133,000	2.00%	\$25,516 to \$26,433	\$ 26,443
Fire Truck	558,827	3.50%	41,184 to 54,655	344,930
Total Capital Leases				<u>\$ 371,373</u>

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

Governmental Activities						
Year Ending June 30,	General Obligation Bonds		Notes		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 312,476	\$ 71,853	\$ 161,562	\$ 6,467	\$ 70,647	\$ 12,896
2020	320,124	64,800	73,732	4,966	45,795	10,828
2021	290,670	57,630	74,511	3,492	47,444	9,179
2022	2,274,243	49,737	75,303	2,003	49,152	7,471
2023	277,466	40,088	28,121	841	50,922	5,700
2024-2028	1,069,580	105,405	-	-	107,413	5,835
Totals	<u>\$ 4,544,559</u>	<u>\$ 389,513</u>	<u>\$ 413,229</u>	<u>\$ 17,769</u>	<u>\$ 371,373</u>	<u>\$ 51,909</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	\$ 67,245
2004 Revenue Bond	9,798,168	0.00%	597,530	5,377,765
2011 Revenue Bond	1,908,392	0.00%	95,420	1,388,555
Refunding Series 2013	1,122,433	2.25%	78,310 to 126,624	586,078
Total Revenue Bonds				<u>\$ 7,419,643</u>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

9. LONG-TERM DEBT (Continued)

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

Year Ending June 30,	Business-Type Activities	
	Revenue	
	Bonds	
	Principal	Interest
2019	\$ 861,060	\$ 15,155
2020	842,376	10,803
2021	791,530	7,555
2022	771,532	5,337
2023	773,260	3,568
2024-2028	2,945,530	1,761
2029-2033	434,355	-
Totals	<u>\$ 7,419,643</u>	<u>\$ 44,179</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:			
Inventory	\$ 5,858	\$ -	\$ 5,858
Total Non-spendable	<u>5,858</u>	<u>-</u>	<u>5,858</u>
Restricted:			
Capital projects	19,740	56,169	75,909
Cemetery	-	11,727	11,727
Parks, recreation, and cultural	41,089	-	41,089
Public safety	9,948	-	9,948
Total Restricted	<u>70,777</u>	<u>67,896</u>	<u>138,673</u>
Unassigned	5,093,732	(93,914)	4,999,818
Total Fund Balances	<u>\$ 5,170,367</u>	<u>\$ (26,018)</u>	<u>\$ 5,144,349</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 Retirement Plan. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Creditable Service Same as Plan 1.	Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. <u>Defined Contributions Component:</u> Under the defined contributions component, creditable service is used to determine vesting for the employer contribution portion of the plan.

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	Vesting Same as Plan 1.	Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. <u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contributions component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1. <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the

TOWN OF ABINGDON, VIRGINIA
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June 30, 2018

11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

TOWN OF ABINGDON, VIRGINIA
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11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.		<u>Defined Contribution Component:</u> Not applicable.
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TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

11. DEFINED BENEFIT PENSION PLAN (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>66</u>
Inactive members:	
Vested inactive members	8
Non-vested inactive members	35
Inactive members active elsewhere in VRS	<u>31</u>
Total inactive members	74
Active members	<u>141</u>
Total covered employees	<u><u>281</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 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town's contractually required contribution rate for the year ended June 30, 2018 was 10.44% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$500,449 and \$344,652 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2016, 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, 2017.

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:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

All Others (Non 10 Largest) – Non-Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

11. DEFINED BENEFIT PENSION PLAN (Continued)

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

Largest 10 – Non-Hazardous Duty:

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

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

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

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, 2016, 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, 2017.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 4.75 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

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

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

11. DEFINED BENEFIT PENSION PLAN (Continued)

Mortality rates:

Largest 10 – Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

All Others (Non 10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-Hazardous Duty:

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

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

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

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

11. DEFINED BENEFIT PENSION PLAN (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	* Expected arithmetic nominal return		<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, 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, 2019, 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, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

11. DEFINED BENEFIT PENSION PLAN (Continued)

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at June 30, 2016	\$ 19,130,596	\$ 16,338,773	\$ 2,791,823
Changes for the year:			
Service cost	498,793	-	498,793
Interest	1,308,047	-	1,308,047
Change in benefit terms	-	-	-
Change in assumptions	(284,406)	-	(284,406)
Differences between expected and actual experience	(423,509)	-	(423,509)
Contributions - employer	-	345,847	(345,847)
Contributions - employee	-	271,557	(271,557)
Net investment income	-	1,983,557	(1,983,557)
Benefit payments, including refunds of employee contributions	(888,423)	(888,423)	-
Administrative expenses	-	(11,494)	11,494
Other changes	-	(1,763)	1,763
Net changes	210,502	1,699,281	(1,488,779)
Balance at June 30, 2017	\$ 19,341,098	\$ 18,038,054	\$ 1,303,044

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 (Asset)	\$ 3,935,335	\$ 1,303,044	\$ (868,523)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

11. DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended June 30, 2018, the Town recognized pension expense of \$(125,097). At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 717,125
Changes of assumptions	-	219,325
Net difference between projected and actual earnings on pension plan investments	-	261,504
Employer contributions subsequent to the measurement date	500,449	-
Total	<u>\$ 500,449</u>	<u>\$ 1,197,954</u>

The \$500,449 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ending June 30	<u>Increase (Reduction) to Pension Expense</u>
2019	\$ (539,871)
2020	(250,373)
2021	(177,814)
2022	(229,896)
2023	-
Thereafter	-
	<u>\$ (1,197,954)</u>

June 30, 2018

11. *DEFINED BENEFIT PENSION PLAN (Continued)*

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan's is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Pension Plan

At June 30, 2018, the Town reported a payable of \$40,056 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

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

Plan Description

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

Benefits Provided

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.

Additionally, the Town provides a \$120 quarterly (\$480 annual) stipend to eligible retirees to help cover the cost of the medical premiums. The stipend is payable for the retiree's lifetime.

Effective July 1, 2018, the retiree stipend will be provided and administered by the Virginia Retirement System; therefore, beginning in fiscal year 2019, the liability associated with the stipend will not be included in the Town's local plan. Under GASB 75, the liability decrease associated with this change will be immediately recognized in the plan's fiscal 2019 OPEB expense.

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>35</u>
Total inactive members	35
Active members	<u>138</u>
Total covered employees	<u><u>173</u></u>

Total OPEB Liability

The Town's Total OPEB Liability of \$949,543 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2016.

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

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.00 percent per year
Healthcare cost trend rates	6.90 percent for 2016, 7.40 percent in 2017, then graded to 4.00% over 82 years.
Retirees' share of benefit-Related costs	100% of projected health insurance premiums for retirees

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

Mortality rates:

- Pre-Retirement: RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with Males set forward 2 years (5 years for Public Safety employees) and Females set back 3 years.
- Post-Retirement: RP-2000 Combined Mortality Tables projected to 2020 using Scale AA and Females set back 1 year.
- Post-Disablement: RP-2000 Disable Life Mortality Tables with Males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2016 valuation are predominantly consistent with those used in the June 30, 2015 valuation of the Virginia Retirement System (General Employees Prior Plan (Plan 1), Appendix A; General Employees Current Plan (Plan 2), & Hybrid Plan, Appendix B; Public Safety Employees, Appendix C).

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB Liability--Balance at June 30, 2017	\$ 909,090
Changes for the year:	
Service Cost	76,104
Interest	33,851
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(33,104)
Benefit payments	(36,398)
Net change in OPEB Liability	<u>40,453</u>
Total OPEB Liability--Balance at June 30, 2018	<u>\$ 949,543</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50 percent in 2017 to 3.87 percent in 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rates

The following presents the Town's Total OPEB liability calculated using the discount rate of 3.87%. It also presents what the Town's OPEB Liability would be if it were calculated used a discount rate on percentage point lower (2.87%) and one percentage point higher (4.87%) than the current rate:

	<u>1.00 % Decrease (2.87%)</u>	<u>Discount Rate (3.87%)</u>	<u>1.00% Increase (4.87%)</u>
Total OPEB Liability	\$ 1,042,012	\$ 949,543	\$ 866,021

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

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

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

	<u>1.00 % Decrease in Trend Rate</u>	<u>Current Trend Rate</u>	<u>1.00% Increase in Trend Rate</u>
Total OPEB Liability	\$ 832,767	\$ 949,543	\$ 1,091,102

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

For the year ended June 30, 2018, the Town recognized OPEB expense of \$105,226. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions or other inputs	-	28,375
Total	\$ -	\$ 28,375

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending June 30</u>	<u>Reduction to OPEB Expenses</u>
2019	\$ (4,729)
2020	(4,729)
2021	(4,729)
2022	(4,729)
2023	(4,729)
Thereafter	(4,730)
	<u>\$ (28,375)</u>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

13. OTHER POST-EMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans

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

Plan Descriptions

Group Life Insurance Program

All full-time, salaried permanent employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

The GLI is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered a multiple employer, cost sharing plan.

Line of Duty Act Program

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

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

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2015. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2018 Contribution	\$ 26,767
June 30, 2017 Contribution	\$ 28,419

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

13. OTHER POST-EMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans (Continued)

Line of Duty Act Program

Governed by:	<i>Code of Virginia 9-1-400.1 and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.</i>
Total rate:	\$567.37 per covered full-time-equivalent employee. Based on pay-as-you-go funding rate.
June 30, 2018 Contribution	\$ 14,184
June 30, 2017 Contribution	\$ 14,752

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

The net OPEB liabilities were measured as of June 30, 2017 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities, except for LODA, were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. LODA proportion was determined based on pay-as-you-go employer contributions instead of actuarially determined contributions.

Group Life Insurance Program

June 30, 2018 proportionate share of liability	\$ 446,000
June 30, 2017 proportion	0.02963 %
June 30, 2016 proportion	0.03012 %
June 30, 2018 expense	\$ 4,000

Line of Duty Act Program

June 30, 2018 proportionate share of liability	\$ 359,000
June 30, 2017 proportion	0.13678 %
June 30, 2016 proportion	0.13294 %
June 30, 2018 expense	\$ 33,000

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

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

13. OTHER POST-EMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans (Continued)

At June 30, 2018, the Town of Abingdon reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,000
Changes of assumptions	-	23,000
Net difference between projected and actual earnings on OPEB plan investments	-	17,000
Changes in proportion	-	8,000
Employer contributions subsequent to the measurement date	26,767	-
Total	<u>\$ 26,767</u>	<u>\$ 58,000</u>

Line of Duty Act Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	10,000	37,000
Net difference between projected and actual earnings on OPEB plan investments	-	1,000
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	14,184	-
Total	<u>\$ 24,184</u>	<u>\$ 38,000</u>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

13. OTHER POST-EMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans (Continued)

The deferred outflows of resources related to OPEB resulting from the Town of Abingdon's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program

Year Ending June 30	Increase (Reduction) to OPEB Expense
2019	\$ (11,000)
2020	(11,000)
2021	(11,000)
2022	(11,000)
2023	(7,000)
Thereafter	(7,000)
	<u>\$ (58,000)</u>

Line of Duty Act Program

Year Ending June 30	Increase (Reduction) to OPEB Expense
2019	\$ (4,000)
2020	(4,000)
2021	(4,000)
2022	(4,000)
2023	(4,000)
Thereafter	(8,000)
	<u>\$ (28,000)</u>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

13. OTHER POST-EMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans (Continued)

Actuarial Assumptions and Other Inputs

Inflation	2.5%
Salary increases, including inflation:	
• Locality- general employees	3.5 – 5.35%
• Locality – hazardous duty employees	3.5 – 4.75%
• Teachers	3.5 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%
Investment rate of return, net of expenses, including inflation*	GLI 7.0%; LODA 3.56%

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

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 11.

Changes to LODA Program Associated with HB 1345 (2016) and HB 2243 (2017)

Changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2016 actuarial valuation results which were rolled forward to the measurement date of June 30, 2017. There was no current actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes, available at https://www.vml.org/wp-content/uploads/2017/06/SummaryChangesHB1345_LODA02.12.16.pdf and <https://www.varetire.org/pdf/publications/legislative-summary-2017.pdf>, will be factored into future actuarial valuations for the LODA Program.

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

13. OTHER POST-EMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans (Continued)

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Line of Duty Act Program
Total OPEB Liability	\$ 2,942,426	\$ 266,252
Plan fiduciary net position	1,437,586	3,461
Employers' net OPEB liability (asset)	\$ 1,504,840	\$ 262,791
Plan fiduciary net position as a percentage of total OPEB liability	48.86%	1.30%

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

Long-Term Expected Rate of Return

Group Life Insurance Program

The long-term expected rate of return on VRS 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 OPEB 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 Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	* Expected arithmetic nominal return		<u>7.30%</u>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

13. OTHER POST-EMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans (Continued)

Long-Term Expected Rate of Return (Continued)

- * The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

Line of Duty Act Program

The long-term expected rate of return on the LODA Program's investments was set at 3.56% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS pooled investments 7.00% assumption noted above. Instead, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return. The Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2017.

Discount Rate

The discount rate used to measure the GLI OPEB liabilities was 7.00%. The discount rate used to measure the LODA OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' 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 OPEB liability.

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

The following presents the net OPEB liabilities of the Town of Abingdon, as well as what the Town's net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (6.00% GLI/2.56% LODA) or one percentage point higher (8.00% GLI/4.56% LODA) than the current discount rate:

	1.00 % Decrease	Current Discount	1.00% Increase
	(6.00%)	Rate	(8.00%)
	(7.00%)		
GLI Net OPEB Liability	\$ 577,000	\$ 446,000	\$ 340,000
	(2.56%)	(3.56%)	(4.56%)
LODA Net OPEB Liability	\$ 407,000	\$ 359,000	\$ 319,000

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

13. OTHER POST-EMPLOYMENT BENEFITS LIABILITY-Virginia Retirement System Plans (Continued)

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

Because the Line of Duty Act Program (LODA) contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the LODA net OPEB liability of the Town of Abingdon using health care trend rate of 7.75% decreasing to 5.00%, as well as what the Town's LODA net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current healthcare cost trend rates:

	1.00% Decrease (6.75% decreasing to 4.00%)	Current Healthcare Cost Trend Rates (7.75% decreasing to 5.00%)	1.00% Increase (8.75% decreasing to 6.00%)
Net LODA OPEB Liability	<u>\$ 305,000</u>	<u>\$ 359,000</u>	<u>\$ 427,000</u>

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

At June 30, 2018, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to June 2018 payroll.

- Group Life Insurance \$5,438

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

14. SUMMARY OF PENSION AND OTHER POSTEMPLOYMENT BENEFIT ELEMENTS

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

	Governmental Activities	Business-Type Activities	Total Primary Government
Deferred outflows of resources - Related to Pensions			
Deferred outflow-Contributions after the measurement date			
VRS-Defined Benefit Pension Plan	425,382	75,067	500,449
Total deferred outflow of resources - Pensions	<u>\$ 425,382</u>	<u>\$ 75,067</u>	<u>\$ 500,449</u>
Deferred outflows of resources - OPEB			
Deferred outflow-Differences in expected/ actual and assumptions			
VRS-LODA	\$ 10,000	\$ -	\$ 10,000
Deferred outflow-Contributions after the measurement date			
VRS-LODA-OPEB Program	14,184	-	14,184
VRS-GLI-OPEB Program	21,414	5,353	26,767
Total deferred outflow of resources - OPEB	<u>\$ 45,598</u>	<u>\$ 5,353</u>	<u>\$ 50,951</u>
Net pension liability			
VRS-Defined Benefit Pension Plan	<u>\$ 1,107,587</u>	<u>\$ 195,457</u>	<u>\$ 1,303,044</u>
Total net pension liability	<u>\$ 1,107,587</u>	<u>\$ 195,457</u>	<u>\$ 1,303,044</u>
Net OPEB liability			
Local Health	\$ 778,625	\$ 170,918	\$ 949,543
VRS-LODA	359,000	-	359,000
VRS-GLI	356,800	89,200	446,000
Total net OPEB liability	<u>\$ 1,494,425</u>	<u>\$ 260,118</u>	<u>\$ 1,754,543</u>
Deferred inflows of resources - Related to Pensions			
Deferred inflow-Differences in expected/ actual and assumptions			
VRS-Defined Benefit Pension Plan	<u>\$ 1,018,261</u>	<u>\$ 179,693</u>	<u>\$ 1,197,954</u>
Total deferred inflow of resources - Pensions	<u>\$ 1,018,261</u>	<u>\$ 179,693</u>	<u>\$ 1,197,954</u>
Deferred inflows of resources - OPEB			
Deferred inflows-Differences in expected/actual and assumption			
VRS-LODA-Cost Sharing-Multiple-Employer	\$ 38,000	\$ -	\$ 38,000
VRS-GLI-Cost Sharing-Multiple-Employer	46,400	11,600	58,000
Deferred inflow-Differences in expected/actual and assumptions			
Local Health-Single Agent-Defined benefit	23,267	5,108	28,375
Total deferred inflow of resources - OPEB	<u>\$ 107,667</u>	<u>\$ 16,708</u>	<u>\$ 124,375</u>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

15. TAX ABATEMENTS

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

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

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

For the year ended June 30, 2018, the Town abated taxes as follows:

<u>Tax Abatement Program</u>	<u>Amount Abated</u>
Rehabilitation Tax Exemption	\$ 31,137
Historic District Tax Abatement	\$ 7,208

16. 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.

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

17. 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.

18. RESTATEMENT OF NET POSITION

The Town implemented the financial reporting provisions of Statement 75 described in Notes 12 and 13 for the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures relating to other post-employment benefits (OPEB). Note disclosures and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve financial reporting by improving accounting and financial reporting by state and local governments for OPEB. The implementation of this Statement resulted in the following restatement of net position:

	General Government	Sewer	Total
Net Position as reported at June 30, 2017	\$ 21,425,079	\$ 6,501,911	\$ 27,926,990
Implementation of GASB 75			
Locality Health Plan	(360,444)	(89,542)	(449,986)
Group Life (GLI)-VRS	(400,000)	(100,000)	(500,000)
LODA-VRS	(354,000)	-	(354,000)
Net Position as restated at June 30, 2017	<u>\$ 20,310,635</u>	<u>\$ 6,312,369</u>	<u>\$ 26,623,004</u>

19. SUBSEQUENT EVENTS

As of June 30, 2018, the Town provided a \$120 quarterly (\$480 annual) stipend to eligible retirees to help cover the cost of the medical premiums. The stipend was payable for the retiree's lifetime. Effective July 1, 2018, the retiree stipend will be provided and administered by the Virginia Retirement System; therefore, beginning in fiscal year 2019, the liability associated with the stipend will not be included in the Town's local OPEB plan liability. Under GASB 75, the liability decrease associated with this change will be immediately recognized in the plan's fiscal 2019 OPEB expense. Any future liabilities associated with participating in the Health Insurance Credit Plan through VRS will be reflect in the Town's OPEB liabilities under VRS OPEB Plans.

In August 2018, the Town was awarded a federal grant from the U.S. Department of Homeland Security in the amount of \$778,910 for the purchase of equipment.

June 30, 2018

20. NEW ACCOUNTING PRONOUNCEMENTS

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

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. The Town adopted this Statement for fiscal year ending June 30, 2018.

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

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

June 30, 2018

20. NEW ACCOUNTING PRONOUNCEMENTS (Continued)

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

21. 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.

The GASB issued Statement No. 83, *Certain Asset Retirement Obligations* in November 2016. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this Statement are effective for periods beginning after June 15, 2018.

The GASB issued Statement No. 84, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

The GASB issued Statement No. 87, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant acceleration clauses. This Statement will improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement will be effective for the year ending June 30, 2019.

The GASB issued Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61* in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization.

The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

TOWN OF ABINGDON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2018

	Plan Year			
	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 498,793	\$ 485,771	\$ 487,115	\$ 496,315
Interest	1,308,047	1,249,531	1,244,997	1,178,764
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(423,509)	(85,461)	(935,088)	-
Changes in assumptions	(284,406)	-	-	-
Benefit payments, including refunds of employee contributions	(888,423)	(739,385)	(725,110)	(732,689)
Net change in total pension liability	210,502	910,456	71,914	942,390
Total pension liability - beginning	19,130,596	18,220,140	18,148,226	17,205,836
Total pension liability - ending	<u>\$ 19,341,098</u>	<u>\$ 19,130,596</u>	<u>\$ 18,220,140</u>	<u>\$ 18,148,226</u>
Plan fiduciary net position				
Contributions - employer	\$ 345,847	\$ 446,529	\$ 436,232	\$ 484,889
Contributions - employee	271,557	280,345	260,646	263,590
Net investment income	1,983,557	283,492	708,070	2,101,401
Benefit payments, including refunds of employee contributions	(888,423)	(739,385)	(725,110)	(732,689)
Administrative expense	(11,494)	(9,853)	(9,567)	(11,213)
Other	(1,763)	(119)	(152)	110
Net change in total pension liability	1,699,281	261,009	670,119	2,106,088
Total pension liability - beginning	16,338,773	16,077,764	15,407,645	13,301,557
Total pension liability - ending	<u>\$ 18,038,054</u>	<u>\$ 16,338,773</u>	<u>\$ 16,077,764</u>	<u>\$ 15,407,645</u>
Town's net pension liability - ending	<u>\$ 1,303,044</u>	<u>\$ 2,791,823</u>	<u>\$ 2,142,376</u>	<u>\$ 2,740,581</u>
Plan fiduciary net position as a percentage of the total pension liability	93.26%	85.41%	88.24%	84.90%
Covered - employee payroll	\$ 5,397,697	\$ 5,467,229	\$ 5,154,890	\$ 5,207,804
Town's net pension liability as a percentage of covered-employee payroll	24.14%	51.06%	41.56%	52.62%

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

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

Fiscal Year	Contributions Related to			Contributions	
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	as a % of Covered Employee Payroll
2018	\$ 500,449	\$ 500,449	\$ -	\$ 5,147,591	9.72%
2017	\$ 344,652	\$ 344,652	\$ -	\$ 5,397,697	6.39%
2016	\$ 392,213	\$ 392,213	\$ -	\$ 5,467,229	7.17%
2015	\$ 437,062	\$ 437,062	\$ -	\$ 5,154,890	8.48%
2014	\$ 484,889	\$ 484,889	\$ -	\$ 5,207,804	9.31%
2013	\$ 766,806	\$ 766,806	\$ -	\$ 5,370,500	14.28%
2012	\$ 593,883	\$ 593,883	\$ -	\$ 5,321,773	11.16%
2011	\$ 559,371	\$ 559,371	\$ -	\$ 5,101,601	10.96%
2010	\$ 516,371	\$ 516,371	\$ -	\$ 4,725,709	10.93%
2009	\$ 505,289	\$ 505,289	\$ -	\$ 4,630,371	10.91%

TOWN OF ABINGDON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
June 30, 2018

	<u>2018</u>
	<u>Local Plan</u>
Total OPEB liability	
Service cost	\$ 76,104
Interest	33,851
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(33,104)
Benefit payments, including refunds of employee contributions	<u>(36,398)</u>
Net change in total OPEB liability	40,453
Total OPEB liability - beginning	<u>909,090</u>
Total OPEB liability - ending	<u><u>\$ 949,543</u></u>
 Covered - employee payroll	 \$ 5,489,100
 Total OPEB liability as a percentage of covered-employee payroll	 17.30%

1) Fiscal year 2018 was the first year of GASB 75 implementation; therefore only one year is shown herein.

Notes to Schedule:

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

2018	3.870%
2017	3.500%

TOWN OF ABINGDON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
June 30, 2018

*	Employer's	Employer's	Employer's	Employer's	Plan
Fiscal	Portion	Proportionate	Proportionate	Share	Fiduciary
Year	of the	Share of the	Employer's	of the Net OPEB	Net Position
Ended	Net OPEB	Net OPEB	Covered	Liability (Asset)	as a % of the
30-Jun	Liability (Asset)	Liability (Asset)	Payroll	as % of its	Total
				Covered Payroll	OPEB Liability
VRS-Group Life Insurance-General Employees					
2018	0.02963%	\$ 446,000	\$ 5,465,642	8.16%	48.86%
VRS- Line of Duty Act (LODA)					
2018	0.13678%	\$ 359,000	\$ 1,335,385	26.88%	1.30%

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

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

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

TOWN OF ABINGDON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
June 30, 2018

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
VRS-Group Life Insurance-General Employees					
2018	\$ 26,767	\$ 26,767	\$ -	\$ 5,147,591	0.52%
VRS- Line of Duty Act					
2018	\$ 14,184	\$ 14,184	\$ -	\$ 1,287,698	1.10%

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

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

TOWN OF ABINGDON, VIRGINIA
Notes to Required Supplementary Information
June 30, 2018

Note 1. Change of benefit terms

Pension

There have been no actuarially material changes to the Town's benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the Town for the four-year period ending June 30, 2016:

Largest 10 -- Non-Hazardous Duty:

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

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

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

Largest 10 -- Hazardous Duty/Public Safety Employees:

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

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

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

TOWN OF ABINGDON, VIRGINIA
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>Special Revenue</u>	<u>Capital Projects</u>		<u>Permanent Fund</u>	<u>Total Non-major Governmental Funds</u>
	<u>Electronic Village</u>	<u>Capital Reserve Fund</u>	<u>Rehabilitation Fund</u>	<u>Cemetery Fund</u>	
<u>ASSETS</u>					
Cash and cash equivalents - restricted	\$ 475	\$ 42,362	\$ 14,525	\$ 27,543	\$ 84,905
Receivables (net of any allowance for uncollectibles):					
Accrued interest	-	-	-	12	12
Due from other funds	-	-	-	-	-
Due from other governmental units	-	-	-	-	-
TOTAL ASSETS	<u>\$ 475</u>	<u>\$ 42,362</u>	<u>\$ 14,525</u>	<u>\$ 27,555</u>	<u>\$ 84,917</u>
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ -	\$ 14,731	\$ 14,731
Accrued liabilities	-	-	-	-	-
Due to other funds	<u>94,389</u>	<u>-</u>	<u>718</u>	<u>1,097</u>	<u>96,204</u>
Total Liabilities	<u>94,389</u>	<u>-</u>	<u>718</u>	<u>15,828</u>	<u>110,935</u>
FUND BALANCES:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Capital Projects	-	42,362	13,807	-	56,169
Parks, recreation, and cultural	-	-	-	11,727	11,727
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	<u>(93,914)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(93,914)</u>
Total Fund Balances	<u>(93,914)</u>	<u>42,362</u>	<u>13,807</u>	<u>11,727</u>	<u>(26,018)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 475</u>	<u>\$ 42,362</u>	<u>\$ 14,525</u>	<u>\$ 27,555</u>	<u>\$ 84,917</u>

TOWN OF ABINGDON, VIRGINIA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2018

SCHEDULE 2

	<u>Special Revenue</u>	<u>Capital Projects</u>		<u>Permanent Fund</u>	<u>Total Non-major Governmental Funds</u>
	<u>Electronic Village</u>	<u>Capital Reserve Fund</u>	<u>Rehabilitation Fund</u>	<u>Cemetery Fund</u>	
REVENUES:					
Revenue from use of money and property	\$ -	\$ 620	\$ 7	\$ 58	\$ 685
Charges for services	12,240	-	-	-	12,240
Miscellaneous	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Total Revenues	<u>12,240</u>	<u>620</u>	<u>7</u>	<u>58</u>	<u>12,925</u>
EXPENDITURES:					
Current:					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health and welfare	-	-	-	-	-
Parks, recreation, and cultural	-	-	-	-	-
Community development	28,212	-	-	-	28,212
Total Expenditures	<u>28,212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,212</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(15,972)</u>	<u>620</u>	<u>7</u>	<u>58</u>	<u>(15,287)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(15,972)	620	7	58	(15,287)
FUND BALANCE AT JULY 1	<u>(77,942)</u>	<u>41,742</u>	<u>13,800</u>	<u>11,669</u>	<u>(10,731)</u>
FUND BALANCE AT JUNE 30	<u>\$ (93,914)</u>	<u>\$ 42,362</u>	<u>\$ 13,807</u>	<u>\$ 11,727</u>	<u>\$ (26,018)</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	72
These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	
REVENUE CAPACITY	77
These schedules contain trend information to help the reader assess the Town's most significant local revenue source, the property tax.	
DEBT CAPACITY	80
These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	
ECONOMIC AND DEMOGRAPHIC INFORMATION	83
These schedules offer economic and demographic indicators to help the reader understand the environment within which the Town's financial activities take place.	
OPERATING INFORMATION	85
These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	

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

TABLE 1

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental activities										
Net investment in capital assets	\$ 13,679,794	\$ 14,220,491	\$ 16,158,134	\$ 15,560,598	\$ 16,231,378	\$ 14,352,648	\$ 15,813,168	\$ 19,563,963	\$ 19,320,316	\$ 20,451,727
Restricted	-	-	-	-	-	-	-	-	139,425	138,673
Unrestricted	10,141,073	10,389,148	9,753,516	11,658,788	9,715,284	8,527,798	4,218,991	1,888,123	1,965,338	1,481,553
Total governmental activities net position	23,820,867	24,609,639	25,911,650	27,219,386	25,946,662	22,880,446	20,032,159	21,452,086	21,425,079	22,071,953
Business-type activities										
Net investment in capital assets	2,018,814	1,759,259	2,102,664	2,016,562	2,250,767	2,268,580	2,517,019	3,130,624	3,296,488	3,498,859
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	2,177,091	2,186,168	2,434,972	2,538,264	2,241,843	2,697,500	2,242,548	2,885,392	3,205,423	3,078,233
Total business-type activities	4,195,905	3,945,427	4,537,636	4,554,826	4,492,610	4,966,080	4,759,567	6,016,016	6,501,911	6,577,092
Primary government										
Net investment in capital assets	15,698,608	15,979,750	18,260,798	17,577,160	18,482,145	16,621,228	18,330,187	22,694,587	22,616,804	23,950,586
Restricted	-	-	-	-	-	-	-	-	139,425	138,673
Unrestricted	12,318,164	12,575,316	12,188,488	14,197,052	11,957,127	11,225,298	6,461,539	4,773,515	5,170,761	4,559,786
Total primary government net position	\$ 28,016,772	\$ 28,555,066	\$ 30,449,286	\$ 31,774,212	\$ 30,439,272	\$ 27,846,526	\$ 24,791,726	\$ 27,468,102	\$ 27,926,990	\$ 28,649,045

- 1) Accounting standards require net position be reported in three categories in the financial statements: Net investment in capital assets; 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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Expenses										
Governmental Activities:										
General government	\$ 1,530,750	\$ 1,681,098	\$ 1,570,248	\$ 1,744,308	\$ 1,660,958	\$ 1,581,298	\$ 1,583,573	\$ 2,541,643	\$ 2,437,414	\$ 2,278,330
Public safety	2,245,705	2,509,959	2,479,291	2,731,628	2,736,487	2,759,998	2,728,805	2,667,792	2,920,360	2,809,797
Public works	3,151,942	3,490,984	3,730,162	3,388,845	3,841,342	3,529,042	3,715,968	2,868,606	2,737,484	2,661,221
Health and welfare	9,591	2,893	2,856	3,426	5,833	6,857	264,880	65,636	37,519	38,928
Parks, recreation, and culture	2,282,550	2,157,262	2,563,043	2,364,963	2,379,502	1,159,585	2,219,947	3,182,023	3,058,604	2,896,160
Community development	2,363,038	1,890,748	2,058,678	2,779,418	2,237,820	5,515,308	2,220,759	1,482,812	1,298,975	1,112,417
Interest on long-term debt	81,900	157,862	105,630	90,996	66,425	113,678	116,242	104,489	94,281	98,028
	49,146	162,024	108,400	172,396	238,884	152,443	258,510	135,187	74,874	83,017
Total government activities expense	11,714,622	12,052,830	12,618,308	13,275,980	13,167,251	14,818,209	13,108,684	13,048,188	12,659,511	11,977,898
Business-Type Activities:										
Wastewater	3,019,503	2,841,104	3,068,020	3,065,046	3,088,359	2,731,185	2,663,324	2,523,852	2,661,341	2,796,247
Total business-type activities expenses	3,019,503	2,841,104	3,068,020	3,065,046	3,088,359	2,731,185	2,663,324	2,523,852	2,661,341	2,796,247
Total primary government expenses	\$ 14,734,125	\$ 14,893,934	\$ 15,686,328	\$ 16,341,026	\$ 16,255,610	\$ 17,549,394	\$ 15,772,008	\$ 15,572,040	\$ 15,320,852	\$ 14,774,145
Program Revenues										
Governmental Activities:										
Charges for services										
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	28,505	\$ 24,848
Public works	395,439	334,577	190,709	342,103	353,943	388,670	369,912	346,394	361,054	408,613
Parks, recreation, and culture	414,540	447,700	471,311	457,742	415,470	417,119	436,640	441,508	442,265	457,433
Community development	44,948	42,573	30,992	29,187	20,200	18,014	14,390	16,163	13,864	12,240
Operating grants and contributions	2,035,796	2,184,325	2,095,675	2,029,874	1,738,259	1,960,808	2,460,379	1,829,418	1,916,785	1,966,946
Capital grants and contributions	636,891	65,229	-	255,857	218,252	32,074	696,721	330,061	142,465	1,091,684
Total governmental activities program revenues	3,527,614	3,074,404	2,788,687	3,114,763	2,746,124	2,816,685	3,978,042	2,963,544	2,904,938	3,961,764
Business-Type Activities:										
Charges for services										
Wastewater	2,445,140	2,575,312	3,078,006	3,074,637	3,018,276	3,244,042	2,966,165	3,161,540	3,135,579	3,041,260
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	527,000	-	-	-	-	100,000	-	-
Total business-type activities program revenues	2,445,140	2,575,312	3,605,006	3,074,637	3,018,276	3,244,042	2,966,165	3,261,540	3,135,579	3,041,260
Total primary government program revenues	\$ 5,972,754	\$ 5,649,716	\$ 6,393,693	\$ 6,189,400	\$ 5,764,400	\$ 6,060,727	\$ 6,944,207	\$ 6,225,084	\$ 6,040,517	\$ 7,003,024
Net (Expense)/Revenue										
Governmental Activities	\$ (8,187,008)	\$ (8,978,426)	\$ (9,829,621)	\$ (10,161,217)	\$ (10,421,127)	\$ (12,001,524)	\$ (9,130,642)	\$ (10,084,644)	\$ (9,754,573)	\$ (8,016,134)
Business-Type Activities	(574,363)	(265,792)	536,986	9,591	(70,083)	512,857	302,841	737,688	474,238	245,013
Total primary government net (expense)/revenue	\$ (8,761,371)	\$ (9,244,218)	\$ (9,292,635)	\$ (10,151,626)	\$ (10,491,210)	\$ (11,488,667)	\$ (8,827,801)	\$ (9,346,956)	\$ (9,280,335)	\$ (7,771,121)

TABLE 2 cont.

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Revenues and other Changes in Net Position										
Governmental Activities:										
Taxes	\$ 8,065,200	\$ 9,382,912	\$ 8,612,759	\$ 8,714,572	\$ 8,232,362	\$ 8,443,512	\$ 8,854,836	\$ -	\$ -	\$ -
Property taxes								2,747,145	2,657,010	2,802,195
Local sales & use tax								461,012	492,287	494,985
Utility tax								81,420	82,728	84,375
Business license tax								943,751	877,549	839,908
Franchise license tax								66,535	63,036	77,917
Communication tax								117,391	114,150	110,756
Motor vehicle license								123,503	158,206	145,434
Bank stock tax								543,899	565,666	565,205
Cigarette tax								107,913	239,579	276,615
Hotel and motel room tax								812,441	832,691	856,812
Restaurant food tax								2,993,280	2,953,594	3,026,101
Unrestricted intergovernmental revenue	40,025	39,193	46,820	61,433	60,278	46,392	56,435	61,376	65,291	68,533
Unrestricted investment earnings	195,938	113,297	103,815	56,542	47,688	41,808	42,940	33,300	36,580	39,828
Rental of Town property	-	-	-	-	-	-	-	5,821	3,600	3,600
Gain(loss) on sale of capital assets	63,834		2,058,727	2,233,711	-	-	-	-	8,452	(2,560)
Other	338,580	255,026	309,510	528,295	479,636	403,595	300,021	2,910,734	577,147	387,748
Transfers	-	-	-	-	-	-	-	-	-	-
Total governmental activities	8,703,577	9,790,428	11,131,631	11,594,553	8,819,964	8,935,307	9,254,232	12,009,521	9,727,566	9,777,452
Business-Type Activities:										
Unrestricted investment earnings	45,169	15,314	17,223	7,599	7,868	4,719	3,553	6,031	11,657	19,710
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	45,169	15,314	17,223	7,599	7,868	4,719	3,553	6,031	11,657	19,710
Total primary government	\$ 8,748,746	\$ 9,805,742	\$ 11,148,854	\$ 11,602,152	\$ 8,827,832	\$ 8,940,026	\$ 9,257,785	\$ 12,015,552	\$ 9,739,223	\$ 9,797,162
Change in Net Position										
Governmental Activities	\$ 516,569	\$ 812,002	\$ 1,302,010	\$ 1,433,336	\$ (1,601,163)	\$ (3,066,217)	\$ 123,590	\$ 1,924,877	\$ (27,007)	\$ 1,761,318
Business-Type Activities	(529,194)	(250,478)	554,209	17,190	(62,215)	517,576	306,394	743,719	485,895	264,723
Total primary government	\$ (12,625)	\$ 561,524	\$ 1,856,219	\$ 1,450,526	\$ (1,663,378)	\$ (2,548,641)	\$ 429,984	\$ 2,668,596	\$ 458,888	\$ 2,026,041

TABLE 3

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Fund										
Reserved	\$ 512	\$ 750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	9,445,800	9,452,318	-	-	-	-	-	-	-	-
Nonspendable	-	-	750	1,250	1,500	1,500	101,045	111,657	4,006	5,858
Restricted	-	-	700,493	-	-	-	-	-	72,214	70,777
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	8,858,260	10,600,010	8,830,335	7,174,706	5,769,280	4,957,351	4,926,546	5,093,732
Total general fund	<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>	<u>\$ 5,002,766</u>	<u>\$ 5,170,367</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Special Revenue fund	1,071,147	1,272,963	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	76,162	1,458,028	1,241,477	1,279,038	965,255	66,831	67,211	67,896
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(67,292)	(52,902)	(63,539)	(77,942)	(93,914)
Total all other governmental funds	<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>	<u>\$ (10,731)</u>	<u>\$ (26,018)</u>

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

TABLE 4

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
General property taxes	\$ 2,353,245	\$ 3,412,150	\$ 2,529,150	\$ 2,517,084	\$ 2,582,994	\$ 2,591,889	\$ 2,584,556	\$ 2,693,882	\$ 2,699,105	\$ 2,790,671
Other local taxes	5,666,262	5,869,947	6,100,700	6,190,262	5,626,683	5,890,975	6,229,713	6,251,145	6,379,486	6,478,108
Permits and licenses	24,254	20,084	20,758	13,684	37,762	21,725	14,238	29,348	18,650	15,322
Fines and forfeitures	34,264	26,571	31,152	49,097	71,766	51,611	42,139	31,051	33,959	28,112
Investment earnings	195,938	113,297	103,815	56,542	47,688	41,808	42,940	39,121	40,180	43,428
Charges for services	854,927	824,850	693,012	829,032	789,613	823,803	820,942	804,065	845,688	903,134
Other revenues	25,189	8,150	72,230	220,084	60,169	150,083	27,584	2,568,021	293,099	268,987
Recovered cost	254,875	200,220	185,370	245,431	309,939	180,175	216,060	158,196	175,088	31,894
Intergovernmental	2,712,711	2,288,748	2,142,495	2,347,164	2,016,788	2,039,274	3,213,533	2,220,855	2,124,541	3,127,163
Total revenues	12,121,665	12,764,017	11,878,682	12,468,380	11,543,402	11,791,343	13,191,705	14,795,684	12,609,796	13,686,819
Expenditures										
General government	1,505,155	1,577,449	1,480,612	1,687,563	1,652,003	1,470,759	1,592,285	2,603,469	2,462,276	2,544,461
Public safety	2,101,677	2,367,422	2,283,745	2,483,125	2,497,255	2,610,797	3,253,764	2,562,188	2,830,596	2,856,972
Public works	3,160,719	3,243,545	3,564,703	3,257,329	3,677,910	3,467,668	3,567,118	2,962,420	2,674,970	2,839,549
Health and welfare	9,591	2,893	2,856	3,426	5,833	6,857	6,285	65,636	37,519	38,928
Parks, recreation, and culture	2,123,965	2,329,850	2,363,492	2,305,565	2,298,874	2,427,584	2,291,793	3,288,799	3,018,181	2,745,573
Community development	1,858,791	1,613,257	1,950,407	2,370,336	2,572,550	3,757,827	2,099,266	1,434,039	1,243,488	1,227,791
Contingencies	49,147	162,024	138,671	172,396	238,884	152,442	258,510	143,458	74,874	83,017
Capital projects	3,346,647	931,778	87,599	298,925	604,659	453,073	1,824,652	2,289,700	123,356	2,793,659
Debt service										
Principal	357,628	509,262	2,830,875	566,761	519,849	1,756,694	568,136	569,563	545,535	462,664
Interest	-	-	-	-	-	-	-	110,969	97,631	97,020
Total expenditures	14,513,320	12,737,480	14,702,960	13,145,426	14,067,817	16,103,701	15,461,809	16,030,241	13,108,426	15,689,634
Excess of revenues over (under) expenditures	(2,391,655)	26,537	(2,824,278)	(677,046)	(2,524,415)	(4,312,358)	(2,270,104)	(1,234,557)	(498,630)	(2,002,815)
Other Financing Sources (Uses)										
Proceeds from sale of assets	63,834	-	2,070,000	2,233,711	-	-	-	7,234	7,037	14,240
Proceeds from borrowing	3,581,000	182,033	155,870	375,000	210,000	2,600,000	691,827	78,300	70,133	29,189
Insurance Recoveries	-	-	-	-	-	-	-	116,884	341,195	2,111,700
Transfers in (out)	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	3,644,834	182,033	2,225,870	2,608,711	210,000	2,600,000	691,827	202,418	418,365	2,155,129
Net change in fund balance	\$ 1,253,179	\$ 208,570	\$ (598,408)	\$ 1,931,665	\$ (2,314,415)	\$ (1,712,358)	\$ (1,578,277)	\$ (1,032,139)	\$ (80,265)	\$ 152,314
 Debt service as a percentage of noncapital expenditures	 2.53%	 4.16%	 23.84%	 4.51%	 3.84%	 12.24%	 3.81%	 4.43%	 5.16%	 4.54%

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			
2018	\$ 766,009,000	\$ 84,475,328	\$ 3,532,855	\$ 25,338,387	\$ 87,847	\$ 886,601	\$ 880,330,018	0.317
2017	\$ 770,852,000	\$ 87,360,615	\$ 3,762,980	\$ 23,936,753	\$ 93,948	\$ 827,012	\$ 886,833,308	0.304
2016	\$ 743,344,400	\$ 91,104,836	\$ 3,808,370	\$ 23,829,224	\$ 9,415	\$ 729,889	\$ 862,826,134	0.312
2015	\$ 743,196,200	\$ 93,673,085	\$ -	\$ 23,163,478	\$ 88,963	\$ 824,487	\$ 860,946,213	0.300
2014	\$ 734,838,050	\$ 83,957,974	\$ -	\$ 23,201,748	\$ 15,008	\$ 810,190	\$ 842,822,970	0.308
2013	\$ 727,851,320	\$ 83,025,635	\$ -	\$ 22,196,429	\$ 424,726	\$ 818,381	\$ 834,316,491	0.310
2012	\$ 715,761,300	\$ 82,036,905	\$ -	\$ 22,196,195	\$ 424,726	\$ 1,021,085	\$ 821,440,211	0.306
2011	\$ 711,246,000	\$ 92,449,693	\$ -	\$ 22,448,202	\$ 406,945	\$ 1,062,490	\$ 827,613,330	0.306
2010	\$ 644,346,200	\$ 78,322,505	\$ -	\$ 21,519,981	\$ 406,945	\$ 759,626	\$ 745,355,257	0.458
2009	\$ 644,346,200	\$ 81,439,160	\$ -	\$ 19,769,209	\$ 233,200	\$ 731,022	\$ 746,518,791	0.315

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
2018	\$ 0.28	\$ 0.76	\$ 0.76	\$ 0.28	\$ 0.28	\$ 0.76	\$ 0.63	\$ 1.70
2017	\$ 0.28	\$ 0.55	\$ 0.55	\$ 0.28	\$ 0.28	\$ 0.55	\$ 0.63	\$ 1.70
2016	\$ 0.28	\$ 0.55	\$ 0.55	\$ 0.28	\$ 0.28	\$ 0.55	\$ 0.63	\$ 1.70
2015	\$ 0.28	\$ 0.55	\$ 0.55	\$ 0.28	\$ 0.28	\$ 0.55	\$ 0.63	\$ 1.70
2014	\$ 0.28	\$ 0.55	\$ 0.55	\$ 0.28	\$ 0.28	\$ 0.55	\$ 0.63	\$ 1.70
2013	\$ 0.28	\$ 0.55	\$ 0.55	\$ 0.28	\$ 0.28	\$ 0.55	\$ 0.63	\$ 1.70
2012	\$ 0.28	\$ 0.55	\$ 0.55	\$ 0.28	\$ 0.28	\$ 0.55	\$ 0.63	\$ 1.70
2011	\$ 0.28	\$ 0.55	\$ 0.55	\$ 0.28	\$ 0.28	\$ 0.55	\$ 0.63	\$ 1.70
2010	\$ 0.28	\$ 0.55	\$ 0.55	\$ 0.28	\$ 0.28	\$ 0.55	\$ 0.63	\$ 1.70
2009	\$ 0.28	\$ 0.55	\$ 0.55	\$ 0.28	\$ 0.28	\$ 0.55	\$ 0.63	\$ 1.70

1) Rates are presented per \$100 assessed value

TABLE 7

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

June 30, 2018:

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Percent of Real Estate Levy</u>
K-VA-T Food Stores, Inc	Retail	\$ 18,576,900	27.83%
DMD LLC	Rental Real Estate-Apartments	11,677,900	17.50%
Town Centre of Abingdon, LLC	Retail	8,054,000	12.07%
Buckhead Abingdon Inc	Hotel	5,159,700	7.73%
New Concepts Hospitality LLC	Hotel	4,263,600	6.39%
Frizzell, Ben M. Jr.	Retail	4,191,900	6.28%
Geneva C. Hargoroves, SM LLC	Professional Offices	4,052,500	6.07%
Double K Properties LLC	Retail	3,667,200	5.49%
Abingdon Professional Centre LLC	Professional Offices	3,600,000	5.39%
Southern Hospitality LLC	Hotel	<u>3,504,700</u>	<u>5.25%</u>
Total Principal Property Taxpayers' Assessed Values		<u>\$ 66,748,400</u>	<u>100.00%</u>

June 30, 2015:

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Percent of Real Estate Levy</u>
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 Values		<u>\$ 67,107,900</u>	<u>100.00%</u>

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

TABLE 8

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

Fiscal Years Ended June 30	Total Tax Levy (1)(2)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections (3)	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Levy
2018	\$ 2,826,689	\$ 2,720,874	96.26%	\$ 30,979	\$ 2,751,853	97.35%	\$ 121,116	4.28%
2017	\$ 2,681,396	\$ 2,609,612	97.32%	\$ 38,733	\$ 2,648,345	98.77%	\$ 112,486	4.20%
2016	\$ 2,624,784	\$ 2,576,140	98.15%	\$ 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%

(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		
2018	\$ 4,957,788	\$ 371,373	\$ 7,419,643	\$ -	\$ 12,748,804	\$ 1,565
2017	\$ 3,240,109	\$ 440,015	\$ 8,276,643	\$ -	\$ 11,956,767	\$ 1,479
2016	\$ 3,286,557	\$ 597,907	\$ 9,066,253	\$ 62,478	\$ 13,013,195	\$ 1,603
2015	\$ 3,479,290	\$ 896,437	\$ 9,935,052	\$ 122,821	\$ 14,433,600	\$ 1,762
2014	\$ 3,744,708	\$ 407,737	\$ 10,784,598	\$ 181,100	\$ 15,118,143	\$ 1,846
2013	\$ 1,299,000	\$ 576,803	\$ 11,258,145	\$ 237,387	\$ 13,371,335	\$ 1,632
2012	\$ 1,649,000	\$ 468,408	\$ 10,506,480	\$ 189,540	\$ 12,813,428	\$ 1,564
2011	\$ 1,983,000	\$ 245,297	\$ 11,273,768	\$ 182,376	\$ 13,684,441	\$ 1,759
2010	\$ 4,511,000	\$ 264,174	\$ 11,928,516	\$ 159,000	\$ 16,862,690	\$ 2,167
2009	\$ 4,791,000	\$ -	\$ 12,578,963	\$ -	\$ 17,369,963	\$ 2,233

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

TABLE 10

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

Fiscal Years Ended June 30	General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
	General		
	Obligation		
	Bonds		
2018	\$ 4,957,788	0.56%	\$ 609
2017	\$ 3,240,109	0.37%	\$ 401
2016	\$ 3,286,557	0.38%	\$ 405
2015	\$ 3,479,290	0.40%	\$ 425
2014	\$ 3,744,708	0.44%	\$ 457
2013	\$ 1,299,000	0.16%	\$ 159
2012	\$ 1,649,000	0.20%	\$ 201
2011	\$ 1,983,000	0.24%	\$ 255
2010	\$ 4,511,000	0.61%	\$ 580
2009	\$ 4,791,000	0.64%	\$ 616

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

TABLE 11

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

	Fiscal Years Ended June 30									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Assessed valuations										
Assessed value of taxed real property	\$ 644,346,200	\$ 644,346,200	\$ 711,246,000	\$ 715,761,300	\$ 727,851,320	\$ 734,838,050	\$ 743,196,200	\$ 743,344,400	\$ 770,852,000	\$ 766,009,000
Legal debt margin										
Debt limit - 10 percent of total assessed value	64,434,620	64,434,620	71,124,600	71,576,130	72,785,132	73,483,805	74,319,620	74,334,440	77,085,200	76,600,900
Debt applicable to limitation:										
Total bonded debt	17,369,963	16,862,690	13,684,441	12,813,428	13,371,335	15,118,143	14,433,600	13,013,195	11,956,767	12,748,804
Less - wastewater revenue bonds and capital leases	(12,578,963)	(12,351,690)	(11,701,441)	(11,164,428)	(12,072,335)	(11,373,435)	(10,954,310)	(9,726,638)	(8,716,658)	(7,791,016)
Total amount of debt applicable to debt limitation	4,791,000	4,511,000	1,983,000	1,649,000	1,299,000	3,744,708	3,479,290	3,286,557	3,240,109	4,957,788
Legal debt margin	\$ 59,643,620	\$ 59,923,620	\$ 69,141,600	\$ 69,927,130	\$ 71,486,132	\$ 69,739,097	\$ 70,840,330	\$ 71,047,883	\$ 73,845,091	\$ 71,643,112
Total net debt applicable to the limit as a percentage of debt limit	7.44%	7.00%	2.79%	2.30%	1.78%	5.10%	4.68%	4.42%	4.20%	6.47%

TABLE 12

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

Fiscal Years Ended June 30	Water Revenue Bonds						
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2018	\$ 3,041,260	\$ 2,124,622	\$ 916,638	\$ 857,000	\$ 19,059	\$ 876,059	1.05
2017	\$ 3,109,116	\$ 1,969,670	\$ 1,139,446	\$ 873,512	\$ 25,531	\$ 899,043	1.27
2016	\$ 3,064,648	\$ 1,823,155	\$ 1,241,493	\$ 868,799	\$ 30,567	\$ 899,366	1.38
2015	\$ 2,963,387	\$ 1,907,625	\$ 1,055,762	\$ 865,033	\$ 36,998	\$ 902,031	1.17
2014	\$ 3,236,016	\$ 1,947,081	\$ 1,288,935	\$ 1,902,113	\$ 51,438	\$ 1,953,551	0.66
2013	\$ 2,980,124	\$ 2,195,216	\$ 784,908	\$ 745,627	\$ 61,068	\$ 806,695	0.97
2012	\$ 2,922,659	\$ 2,004,607	\$ 918,052	\$ 817,010	\$ 62,688	\$ 879,698	1.04
2011	\$ 3,066,914	\$ 2,016,317	\$ 1,050,597	\$ 654,748	\$ 74,116	\$ 728,864	1.44
2010	\$ 2,514,223	\$ 1,789,825	\$ 724,398	\$ 650,447	\$ 77,703	\$ 728,150	0.99
2009	\$ 2,387,811	\$ 1,911,759	\$ 476,052	\$ 616,343	\$ 123,685	\$ 740,028	0.64

- 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 (1)	School Enrollment	Unemployment Rate
2018	8,146	N/A	\$ 39,405	45.0	2,039	4.60%
2017	8,083	N/A	\$ 39,405	42.6	2,050	4.60%
2016	8,119	N/A	\$ 48,529	42.5	N/A	4.60%
2015	8,191	N/A	\$ 48,214	39.0	2,690	5.80%
2014	8,191	\$ 2,916,473	\$ 43,353	35.0	2,719	6.50%
2013	8,191	\$ 2,826,503	\$ 42,242	36.0	2,688	7.30%
2012	8,191	\$ 2,847,640	\$ 43,155	39.4	2,699	7.50%
2011	7,780	\$ 2,663,115	\$ 40,513	40.2	2,790	7.90%
2010	7,780	\$ 2,393,063	\$ 39,690	39.8	2,865	8.80%
2009	7,780	\$ 2,439,991	\$ 40,638	39.2	2,890	4.50%

1) Source: census data, Sperling's Best Places, citymelt.com and city-date.com, Bureau of Economic Analysis (BEARFACTS)

TABLE 14

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

June 30, 2018		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	500-750
Washington County Government	Public Agency	150-249
Barter Theatre	Entertainment	150-200
Wal-Mart	Retail	150-200*
Lowe's	Retail	100-150*

*Located in Washington County

June 30, 2015		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 FIVE FISCAL YEARS

Function	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General government					
Management services	3	3	3	2	2
Legal	2	2	3	3	-
Human resources	-	1	1	1	1
Finance	8	8	8	8	8
Business incubator	2	2	3	-	-
Information technology	3	3	3	3	3
Building	3	3	4	4	4
Public safety					
Police	27	27	28.5	26.5	26.5
Fire	20	20	20	20	18.5
Public works					
Administration	5	5	4	5	4.5
Refuse collection	3	3	3	3	3
Streets	18	18	19	19	18
Other	7	7	8	8	7
Parks, recreation, and cultural					
Parks	11	11	9	13	13
Recreation	58	58	57	59	51.5
Tourism	4	4	5	15	11
Other	6	6	8	3	3
Wastewater operations					
Collection	10	10	10	11	10
Disposal	12	12	12	12	12
Other	1	1	1	1	1

1) Source: Town's finance department

2) Data not available for periods prior to June 30, 2014

TABLE 16

TOWN OF ABINGDON, VIRGINIA
OPERATING INDICATORS BY FUNCTION (UNAUDITED)
LAST TEN FISCAL YEARS

Function	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Public safety										
Incident reports	4,739	4,458	4,446	4,602	4,237	4,003	4,229	4,129	4,207	2,932
Number of traffic crashes	447	398	384	372	273	323	334	382	331	222
Number of arrests	534	600	449	521	414	353	364	316	368	324
Citations written	1,818	1,288	1,420	1,326	694	1,188	1,161	891	1,022	772
Fire and rescue										
Number of calls answered	499	454	460	432	478	484	522	411	533	554
Building inspections										
Permits issued	296	300	263	252	308	270	263	187	178	135
Parks and Recreation										
Youth Program Participants	3,035	3,234	3,383	3,538	3,684	3,737	4,512	4,920	5,403	10,389
Wastewater operations										
Number of service connections	-	-	-	-	-	-	4,940	4,977	5,039	4,747
Average daily treatment in gallons	2,230,000	1,790,000	2,120,000	2,070,000	2,530,000	2,150,000	2,320,000	1,970,000	2,157,742	2,159,000
Maximum daily capacity of plant in gallons	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000

TABLE 17

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

Function	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Public safety										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	18	18	18	18	18	18	18	18	18	18
Number of sworn officers	25	25	25	25	26	26	25	25	24	23
Number of non-sworn	2	2	2	2	2	3	3	3	3	3
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	54.32	54.32	54.32
Streetlights	1,196	1,213	1,213	1,213	1,213	1,213	1,213	1,218	1,218	1,218
Traffic signals	18	18	18	18	18	18	18	18	17	17
Wastewater operations										
Miles of sanitary sewers	111	111	111	111	111	111	111	111	111	123
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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Abingdon, Virginia ("Town"), as of and for the year ended June 30, 2018, 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, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 identified as Items 2018-001 through 2018-003 in the accompanying schedule of findings and responses that are required to be reported under *Government Auditing Standards*.**

Response to Findings

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
November 30, 2018

TOWN OF ABINGDON, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2018

As more fully described in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the Town's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

State Agency Requirements

Urban Highway Maintenance

TOWN OF ABINGDON, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2018

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements of the Town of Abingdon, Virginia.
2. **No significant deficiencies** relating to the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements of the Town of Abingdon, Virginia were disclosed during the audit.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS – COMMONWEALTH OF VIRGINIA

2018-001: Conflicts of Interest Act

Condition: There were two instances where the proper statements were not filed timely as required by Section 2.2-3115(G) of the *Code of Virginia*. 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: Steps should be taken to ensure that the appropriate statements are filed and in a timely manner.

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

2018-002: Budget Appropriations

Condition: It was noted that the Town exceeded its final budget in some categories. It is a violation of Sections 15.2-2506 and 58.1-3001 of the *Code of Virginia* to spend amounts in excess of appropriations.

Recommendation: The Town should implement a policy to prevent expenditures in excess of final amended budget amounts.

Management's Response: Management concurs with this recommendation.

TOWN OF ABINGDON, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2018

C. FINDINGS – COMMONWEALTH OF VIRGINIA (Continued)

2018-003: Weldon Cooper Report

Condition: The Weldon Cooper Center survey report that is annually submitted to VDOT was not filed timely during the fiscal year. Sections 33.2-319 and 33.2-366 of the *Code of Virginia* require an annual categorical report accounting for all expenditures of highway maintenance funds and an annual audit of this report.

Recommendation: The Town should implement controls to make sure that the report is filed timely.

Management's Response: Management concurs with this recommendation.

TOWN OF ABINGDON, VIRGINIA
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

Financial Statement Audit

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

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

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.

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

Commonwealth of Virginia

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

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

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

Current Status: This was noted during the current year audit.