

**TOWN OF ABINGDON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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RONALD C. BOSTIC, CPA
GREGORY D. TUCKER, CPA

P.O. Box 505, Lebanon, VA 24266
(276) 889-3103 Fax: (276) 889-0229
www.bthcpa.com

INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the
Town Council
Town of Abingdon, Virginia:

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, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion 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 the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2010 on our consideration of the internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Town has elected to omit the Management's Discussion and Analysis which is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Abingdon's basic financial statements. The accompanying financial information listed as supplementary schedules in the Table of Contents, the combining and individual non-major fund financial statements, and statistical schedules are presented for purposes of additional analysis and are not a required part of the financial statements of the Town. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole. The statistical schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Bostic, Tucker and Company PC

Lebanon, Virginia
October 15, 2010

BASIC FINANCIAL

STATEMENTS

**TOWN OF ABINGDON, VIRGINIA
STATEMENT OF NET ASSETS
JUNE 30, 2010**

Exhibit 1

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Reporting Entity</u>
Assets			
Cash and cash equivalents	\$ 9,697,803	\$ 2,933,180	\$ 12,630,983
Receivables, net	75,425	523,548	598,973
Taxes receivable, net	561,138	-	561,138
Due from other governments	107,465	-	107,465
Internal balances	762,514	(762,514)	-
Inventories	750	-	750
Capital assets, net	<u>18,990,888</u>	<u>13,687,756</u>	<u>32,678,644</u>
 Total assets and other debits	 <u>\$ 30,195,983</u>	 <u>\$ 16,381,970</u>	 <u>\$ 46,577,953</u>
 Liabilities			
Accounts payable	\$ 133,881	\$ 5,070	\$ 138,951
Accrued liabilities	654,789	183,178	837,967
Accrued interest payable	27,277	6,466	33,743
Deposits and advances	-	275,333	275,333
Noncurrent liabilities:			
Due within one year	2,548,979	654,748	3,203,727
Due in more than one year	<u>2,221,418</u>	<u>11,273,749</u>	<u>13,495,167</u>
 Total liabilities	 <u>5,586,344</u>	 <u>12,398,544</u>	 <u>17,984,888</u>
 Net Assets			
Invested in capital assets, net of related debt	14,220,491	1,759,259	15,979,750
Unrestricted (deficit)	<u>10,389,148</u>	<u>2,224,168</u>	<u>12,613,316</u>
 Total net assets	 <u>\$ 24,609,639</u>	 <u>\$ 3,983,427</u>	 <u>\$ 28,593,066</u>

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 1,681,098	\$ -	\$ -	\$ -	\$ (1,681,098)	\$ -	\$ (1,681,098)
Public safety	2,509,959	-	648,952	-	(1,861,007)	-	(1,861,007)
Public works	3,490,984	334,576	1,314,786	65,229	(1,776,392)	-	(1,776,392)
Health and welfare	2,893	-	-	-	(2,893)	-	(2,893)
Non-departmental	162,024	-	-	-	(162,024)	-	(162,024)
Parks, recreation and cultural	2,157,262	447,700	220,587	-	(1,488,974)	-	(1,488,974)
Community development	1,890,748	42,573	-	-	(1,848,175)	-	(1,848,175)
Interest on long-term debt	157,862	-	-	-	(157,862)	-	(157,862)
Total government activities	12,052,830	824,850	2,184,325	65,229	(8,978,426)	-	(8,978,426)
Business-type activities:							
Sewer	-	-	-	-	-	(212,478)	(212,478)
Total business type-activities	-	-	-	-	-	(212,478)	(212,478)
Total primary government	\$ 12,052,830	\$ 824,850	\$ 2,184,325	\$ 65,229	(8,978,426)	(212,478)	(9,190,904)
General Revenues:							
Taxes					9,382,912	-	9,382,912
Grants and contributions not restricted to specific programs					39,193	-	39,193
Investment and investment earnings					113,297	-	113,297
License and permits					20,084	-	20,084
Fines					26,571	-	26,571
Miscellaneous					208,370	-	208,370
Gain (loss) on disposal of capital assets					-	-	-
Transfers					-	-	-
Total general revenues, special item and transfers					9,790,428	-	9,790,428
Change in net assets					812,002	(212,478)	599,524
Net assets July 1, 2009, as adjusted					23,797,637	4,195,905	27,993,542
Net assets June 30, 2010					\$ 24,609,639	\$ 3,983,427	\$ 28,593,066

TOWN OF ABINGDON, VIRGINIA
BALANCE SHEET
JUNE 30, 2010

Exhibit A-1

<u>Assets</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 8,541,864	\$ 1,155,938	\$ 9,697,802
Accrued interest receivable	17,435	2,474	19,909
Receivables (Net of allowance for uncollectibles):			
Taxes	561,138	-	561,138
Accounts	55,516	-	55,516
Due from other government units	43,529	63,936	107,465
Due from other Town funds	697,168	250,000	947,168
Gasoline inventory	750	-	750
Total assets	\$ 9,917,400	\$ 1,472,348	\$ 11,389,748
 <u>Liabilities</u>			
Accounts payable	\$ 119,150	\$ 14,731	\$ 133,881
Accrued liabilities	136,106	-	136,106
Deferred revenue	209,076	-	209,076
Due to other Town funds	-	184,654	184,654
Bond anticipation notes	1	-	1
Total liabilities	464,333	199,385	663,718
 <u>Fund Equity</u>			
Fund balance:			
Reserved	750	-	750
Unreserved	9,452,318	1,272,963	10,725,281
Total fund equity	9,453,068	1,272,963	10,726,031
Total liabilities and fund equity	\$ 9,917,400	\$ 1,472,348	\$ 11,389,748

Total fund balances per Balance Sheet for Governmental Funds \$ 10,726,031

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

Other long-term assets are not available to pay current period expenditures and therefore deferred in the governmental funds and are not included in the fund balance.

209,076

Capital assets used in government activities are not financial resources and therefore not reported in the funds. The Statement of Net Assets, however, includes net assets, net of accumulated depreciation.

18,990,889

Some liabilities are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities are recorded in the Statement of Net Assets.

(5,316,356)

Net assets of governmental funds **\$ 24,609,640**

TOWN OF ABINGDON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

Exhibit A-2

	General	Other Governmental Funds	Totals (Memo Only)
Revenues:			
General property taxes	\$ 3,412,150	\$ -	\$ 3,412,150
Other local taxes	5,869,947	-	5,869,947
Permits, privilege fees and regulatory licenses	20,084	-	20,084
Fines and forfeitures	26,571	-	26,571
Revenues from use of money and property	106,284	7,013	113,297
Charges for services	782,277	42,573	824,850
Miscellaneous	8,151	-	8,151
Recovered costs	200,220	-	200,220
Intergovernmental	<u>2,048,187</u>	<u>240,561</u>	<u>2,288,748</u>
Total revenues	<u>12,473,870</u>	<u>290,147</u>	<u>12,764,017</u>
Expenditures:			
Current:			
General government			
administration	1,577,449	-	1,577,449
Public safety	2,367,422	-	2,367,422
Public works	3,202,984	40,561	3,243,545
Health and welfare	2,893	-	2,893
Parks, recreation, and cultural	2,329,850	-	2,329,850
Contingencies	162,024	-	162,024
Community development	1,565,487	47,770	1,613,257
Debt service	509,262	-	509,262
Capital projects	<u>931,778</u>	<u>-</u>	<u>931,778</u>
Total expenditures	<u>12,649,149</u>	<u>88,331</u>	<u>12,737,480</u>
Excess (deficiency)			
of revenues over			
expenditures	<u>(175,279)</u>	<u>201,816</u>	<u>26,537</u>
Other financing sources (uses):			
Proceeds from sale of assets/property	-	-	-
Issuance of long-term debt	182,032	-	182,032
Operating transfers in	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing			
sources (uses)	<u>182,032</u>	<u>-</u>	<u>182,032</u>
Excess (deficiency) of revenues and			
other sources over expenditures			
and other uses	6,754	201,816	208,570
Fund balances, July 1, 2009	<u>9,446,314</u>	<u>1,071,147</u>	<u>10,517,461</u>
Fund balances, June 30, 2010	<u><u>\$ 9,453,068</u></u>	<u><u>\$ 1,272,963</u></u>	<u><u>\$ 10,726,031</u></u>

TOWN OF ABINGDON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit A-3

Net change in fund balances - total government funds	\$	208,570
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Amounts reported for governmental activities in the Statement of Activities are different because:

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds

Add current year deferred property tax revenue	\$ 209,076		
Subtract last year's deferred property tax revenue	<u>(108,261)</u>		
			100,815

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.

Adjusted gain/loss for asset disposal	-		
Add capital acquisitions (net of disposals)	1,170,059		
Subtract depreciation	<u>(771,601)</u>		
			398,458

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Add debt repayment	347,502		
Subtract debt proceeds	<u>(182,032)</u>		
			165,470

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 (such as compensated absences and accrued interest on long-term debt).

(61,310)

Change in Net Assets of Governmental Activities	\$	<u>812,002</u>
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TOWN OF ABINGDON
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit A-4

	Original and Final Budget	Actual	Positive (Negative) Variance
Revenues:			
General property taxes	\$ 2,473,500	\$ 3,412,150	\$ 938,650
Other local taxes	5,827,000	5,869,947	42,947
Permits, privilege fees and regulatory licenses	25,000	20,084	(4,916)
Fines and forfeitures	37,000	26,571	(10,429)
Revenues from use of money and property	230,206	106,284	(123,922)
Charges for services	788,700	782,277	(6,423)
Miscellaneous	18,375	8,151	(10,224)
Recovered costs	257,456	200,220	(57,236)
Intergovernmental	<u>2,432,264</u>	<u>2,048,187</u>	<u>(384,077)</u>
Total revenues	<u>12,089,501</u>	<u>12,473,870</u>	<u>384,369</u>
Expenditures:			
General government administration	1,592,152	1,577,449	14,703
Public safety	2,116,878	2,367,422	(250,544)
Public works	3,156,576	3,202,984	(46,408)
Health and welfare	2,350	2,893	(543)
Parks, recreation, and cultural	2,558,505	2,329,850	228,655
Non-departmental	-	-	-
Community development	1,627,693	1,565,487	62,206
Contingencies	221,697	162,024	59,673
Debt service	334,000	509,262	(175,262)
Capital Projects	<u>610,500</u>	<u>931,778</u>	<u>(321,278)</u>
Total expenditures	<u>12,220,351</u>	<u>12,649,149</u>	<u>(428,798)</u>
Excess (deficiency) of revenues over expenditures	<u>(130,850)</u>	<u>(175,279)</u>	<u>(44,429)</u>
Other financing sources (uses):			
Proceeds from sale of assets/property	-	-	-
Issuance of long-term debt	-	182,032	182,032
Operating transfers in	150,000	-	(150,000)
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>150,000</u>	<u>182,032</u>	<u>32,032</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	19,150	6,754	(12,396)
Fund balances, July 1, 2009	<u>(19,150)</u>	<u>9,446,314</u>	<u>9,465,464</u>
Fund balances, June 30, 2010	<u>\$ -</u>	<u>\$ 9,453,068</u>	<u>\$ 9,453,068</u>

TOWN OF ABINGDON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

Exhibit B-1

	Business-type Activity:
	Proprietary Funds
	<u>Enterprise</u>
Assets	
Cash and cash equivalents	\$ 2,933,180
Receivables (net of allowances for uncollectibles)	518,921
Accrued interest receivable	4,627
Capital assets, net	<u>13,687,756</u>
Total assets and other debits	<u>\$ 17,144,484</u>
Liabilities	
Accounts payable	\$ 5,070
Accrued liabilities	24,179
Accrued interest payable	6,466
Due to other funds	762,514
Claims, judgements, and compensated absences	158,999
Deposits and advances	275,333
Noncurrent liabilities:	
Due within one year	654,748
Due in more than one year	<u>11,273,749</u>
Total liabilities	<u>13,161,058</u>
Net Assets	
Invested in capital assets, net of related debt	1,759,259
Unrestricted (deficit)	<u>2,224,168</u>
Total net assets	<u>\$ 3,983,427</u>

TOWN OF ABINGDON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS- PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit B-2

	<u>Business-type Activity</u>
	<u>Proprietary Fund</u>
	<u>Enterprise</u>
Operating Revenues:	
Sewer service charges	\$ 2,433,238
Solid waste collection charges	840
Sewer connection charges	<u>80,145</u>
Total operating revenues	<u>2,514,223</u>
Operating expenses:	
Salaries and benefits	1,142,993
Contractual services	168,647
Repairs and maintenance	82,212
Materials and supplies	83,462
Utilities	246,072
Insurance	15,410
Depreciation	973,576
Other operating expenses	<u>51,029</u>
Total operating expenses	<u>2,763,401</u>
Operating income (loss)	<u>(249,178)</u>
Nonoperating revenues (expenses):	
Interest revenue	15,314
Interest expense	(77,703)
Miscellaneous income	61,089
Washington County subsidy	<u>-</u>
Net income before operating transfers	(250,478)
Net operating transfers in (out)	<u>-</u>
Net income (loss)	(250,478)
Capital Grants	38,000
Net assets - beginning of year	<u>4,195,905</u>
Net assets - end of year	<u>\$ 3,983,427</u>

TOWN OF ABINGDON
STATEMENT CASH FLOWS- PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit B-3

	Business-type Activity:
	Proprietary Funds
	Enterprise
Cash flows from operating activities:	
Cash received from customers	\$ 2,469,477
Cash payments to suppliers for goods and services	(655,119)
Cash payments to employees for services and benefits	(1,132,630)
	<u>681,728</u>
Net cash provided by operating activities	<u>681,728</u>
Cash flows for noncapital financing activities:	
Increase in customer deposits	(9,275)
Miscellaneous non-operating income	61,089
	<u>51,814</u>
Net cash provided by noncapital financing activities	<u>51,814</u>
Cash flows from capital and related financing activities:	
Capital grants received	38,000
Acquisition & construction of capital assets	(63,555)
Net borrowings (repayments) of long-term debt	(650,466)
Interest paid on bonds	(78,039)
	<u>(754,060)</u>
Net cash provided by (used for) capital and related financing activities	<u>(754,060)</u>
Cash flows from investing activities:	
Transfers from other funds	(4,712)
Interest on investments	19,438
	<u>14,726</u>
Net cash provided by investing activities	<u>14,726</u>
Net increase in cash and cash equivalents	<u>(5,792)</u>
Cash and cash equivalents, June 30, 2009	<u>2,938,972</u>
Cash and cash equivalents, June 30, 2010	<u><u>\$ 2,933,180</u></u>
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (250,480)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	973,576
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(44,745)
Increase (decrease) in accounts payable	(12,876)
Increase (decrease) in accrued liabilities	4,592
Increase (decrease) in unpaid compensated absences	10,362
	<u>10,362</u>
Net cash provided by operating activities	<u><u>\$ 680,429</u></u>
Other information: Interest paid during fiscal year	<u><u>\$ 78,039</u></u>

NOTES TO FINANCIAL
STATEMENTS

TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A The Financial Reporting Entity

The Town of Abingdon, Virginia (government) is a municipal corporation governed by an elected five – member Town Council. The accompanying financial statements present the government and its component units, entities for which the government is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. The Town has determined that it has no component units.

B. Government – wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period.

D. Measurement focus, basis of accounting, and financial statement presentation

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as deferred 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.

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.

TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

D. Measurement focus, basis of accounting, and financial statement presentation - continued

The government reports the following **major** governmental funds:

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

The government reports the following **major** proprietary funds:

The *Sewer fund* accounts for activities related to a sewer treatment system for the Town.

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

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

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

D. Measurement focus, basis of accounting, and financial statement presentation - continued

Amounts reported as *program revenues* include: 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 distinguished *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 System enterprise fund and that of the government's internal service funds are charges to customers for sales and services. The Sewer system also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service 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 government's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, liabilities, and net assets or equity

Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

Receivables and payables

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

**TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

E. Assets, liabilities, and net assets or equity – continued

Inventory

Inventory consists of repair parts and supplies used to maintain the water system stated at cost. Inventory in the proprietary fund is accounted for under the consumption method. Cost is recorded as an expense at the time the individual inventory items are used.

Property taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien as of January 1. 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 bills and collects its own taxes.

Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data, and, in certain cases, specific account analysis. The allowance amounted to approximately \$140,027 at June 30, 2010 and is comprised of \$37,597 for property taxes and \$102,430 for customer sewer receivables.

Use of 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.

Capital assets

Capital assets, which include property, plant, 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 statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 for machinery

TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

E. Assets, liabilities, and net assets or equity - continued

Capital assets - continued

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 do not add to the value of the asset or materially extend lives are 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 or previous year.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Structures, lines, and accessories	40
Machinery and equipment	5-10

Compensated absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. In accordance with the provisions of Government Accounting Standard's No. 16, Accounting for Compensated Absences no liability is recorded for non-vesting accumulating rights to receive benefits. The Town accrues salary - related costs associated with the payment of compensated absences.

Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities,

**TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

E. Assets, liabilities, and net assets or equity - continued

Long-term obligations - continued

business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premiums or discounts. Bond issuance costs are reported as deferred charges and amortized over the life on the related bond.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received 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 equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

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

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.

Public hearings are conducted to obtain citizens' comments.

TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - (continued)

A. Budgetary information - continued

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

The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. The appropriation for each department or category can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within general government departments.

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

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

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.

All budget data presented in the accompanying financial statements are from the revised budget as of June 30.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is not part of the Town's accounting system.

B. Deficit fund equity

At June 30, 2010, the following funds had deficit fund equity:

Kings Mountain/Taylor's Hill	\$ 15
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**TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits: All cash of the primary government and its discretely presented component units are 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* or covered by federal depository insurance.

Investments: Statutes authorize the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank) and Asian Development Bank, the African Development Bank, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

NOTE 4. DUE FROM OTHER GOVERNMENTAL UNITS

Consists of the following at June 30, 2010:

	Primary Government
Commonwealth of Virginia	
Local Sales Tax	\$ 43,529
Total Commonwealth of Virginia	<u>\$ 43,529</u>
Federal Government	
CDBG Funds	\$ 63,935
Total Federal Government	<u>\$ 63,935</u>
Total Due From Other Governments	<u>\$ 107,464</u>

NOTE 5. INTER-FUND OBLIGATIONS

Fund	Receivable	Payable
General	\$ 697,168	\$ -
Sewer Fund	-	762,515
Kings Mountain	-	64,035
Electronic Village	-	3,290
Capital Projects	-	116,110
Sewer Improvement Fund	250,000	-
Rehabilitation Fund	-	121
Cemetery Fund	-	1,097
	<u>\$ 947,168</u>	<u>\$ 947,168</u>

TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 6. LONG-TERM DEBT

A. Changes in long-term obligations

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2010:

Governmental Activities	Amounts Payable at June 30, 2009	Increases	Decreases	Amounts Payable at June 30, 2010	Amounts Due Within One Year
Bonds payable	\$ 4,791,000	\$ -	\$ 280,000	\$ 4,511,000	\$ 2,528,000
Leases Payable	154,866	182,032	72,724	264,174	20,979
Total Bonds and leases	<u>4,945,866</u>	<u>182,032</u>	<u>352,724</u>	<u>4,775,174</u>	<u>2,548,979</u>
Other liabilities:					
Other Post Employment Benefit Obligations	-	62,800	-	62,800	-
Claims, judgements, and compensated absences payable	452,874	65,208	-	518,082	-
Total other liabilities	<u>452,874</u>	<u>128,008</u>	<u>-</u>	<u>580,882</u>	<u>-</u>
Total long-term liabilities	<u>\$ 5,398,740</u>	<u>\$ 310,040</u>	<u>\$ 352,724</u>	<u>\$ 5,356,056</u>	<u>\$ 2,548,979</u>
Business-type activities	Amounts Payable at July 1, 2009	Increases	Decreases	Amounts Payable at June 30, 2010	Amounts Due Within One Year
Claims, judgements, and compensated absences payable	\$ 148,637	\$ 10,363	\$ -	\$ 159,000	\$ -
Bonds payable	12,578,963	-	650,447	11,928,516	654,748
Total long-term liabilities	<u>\$ 12,727,600</u>	<u>\$ 10,363</u>	<u>\$ 650,447</u>	<u>\$ 12,087,516</u>	<u>\$ 654,748</u>

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TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 6. LONG-TERM DEBT - (continued)

B. 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.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
2011	\$ 2,528,000	\$ 164,678	\$ 2,692,678
2012	334,000	78,738	412,738
2013	350,000	63,602	413,602
2014	98,000	47,414	145,414
2015	102,000	43,836	145,836
2015-2019	566,000	160,784	726,784
2020-2024	533,000	49,492	582,492
	<u>\$ 4,511,000</u>	<u>\$ 608,544</u>	<u>\$ 5,119,544</u>

General Obligation Bonds	Original Issue Amount	Interest Rates	Annual Principal Requirements	Total Outstanding
Refunding Bonds	\$2,800,000	3.40 to 4.70	\$145,277 to \$325,000	\$ 930,000
General Obligation Bonds	1,371,000	3.65	\$23,000 to \$140,000	1,371,000
General Obligation Bonds	2,210,000	3.25	\$2,210,000 (2011)	2,210,000
Total general obligation bonds				<u>\$ 4,511,000</u>

C. Revenue Bonds

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

Primary Government Business-type activities	Original Issue Amount	Interest Rates	Annual Principal Requirements	Total Outstanding
1992 Revenue Bond, due 2011	\$ 6,647,000	0%	\$ 166,643	\$ 499,928
1993 Revenue Bond, due 2013	1,180,000	3.00%	39,838	226,966
2000 Revenue Bond, due 2019	651,942	3.50%	55,946	372,348
2004 Revenue Bond, due 2027	9,798,168	0%	244,954	9,430,274
2009 Revenue Bond, due 2021	1,067,000	3.90%	23,000	410,000
2009 Revenue Bond, due 2024	433,000	3.90%	78,000	989,000
				<u>\$ 11,928,516</u>

**TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 6. LONG-TERM DEBT - (continued)

C. Revenue Bonds

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30	Revenue Bonds		
	Principal	Interest	Total
2011	\$ 654,748	\$ 73,563	\$ 728,311
2012	739,091	66,178	805,269
2013	823,545	58,530	882,075
2014	750,902	51,206	802,108
2015	757,221	45,440	802,661
2016-2020	3,854,374	132,600	3,986,974
2021-2025	3,180,690	13,886	3,194,576
2026-2030	1,167,945	-	1,167,945
2031-2035	-	-	-
	<u>\$ 11,928,516</u>	<u>\$ 441,403</u>	<u>\$ 12,369,919</u>

D. Claims, Judgments, and Compensated Absences

The Town has accrued the liability arising from outstanding claims and judgments and compensated absences.

In accordance with NCGA Statement 4 "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences," the Town has accrued the liability arising from outstanding claims and judgments and compensated absences. Town employees earn vacation leave at rates that range from 12 to 21 days per year depending on length of service and sick leave accumulates at the rate of one day per month. Up to 25% of accumulated sick leave time will be paid upon termination for employees with greater than five years of service. Accumulated vacation up to forty-two days is paid upon termination. The Town has outstanding accrued vacation and sick leave pay totaling \$677,081 in the Statement of Net Assets of the government - wide statements.

NOTE 7. COMMITMENTS AND CONTINGENT LIABILITIES

A. Construction Commitments

The Town has entered into a construction contract totaling \$565,000 before the end of the fiscal year. A total of \$38,000 was billed to the Town before year end with the balance to be paid in the 2010-2011 fiscal year.

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 8. RISK MANAGEMENT

The risk management programs of the Town are as follows:

Workmen's Compensation

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

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.

NOTE 9. SURETY BONDS

USF&G Insurance Co. - Surety
Blanket Bond

\$ 1,000,000

NOTE 10. Lease Commitments

The Town leases various types of equipment and facilities under capital lease agreements. A summary of future minimum rental payments under capital leases as of June 30, 2010 is as follows:

<u>Fiscal Year Ending June 30</u>	<u>Capital Leases</u>
2011	\$ 150,789
2012	<u>127,266</u>
Total minimum lease payments	278,055
Less amounts representing interest	<u>13,882</u>
Present value of net minimum lease payments	<u><u>\$ 264,173</u></u>

TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 11. DEFINED BENEFITS PENSION PLAN

Plan Description

The Town contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System). All full-time, salaried, permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for unreduced retirement benefits at age 65 with five years of service. Employees who retire with a reduced benefits at age 55 (age 50 for participating law enforcement officers and firefighters) with at least five years of credited service are entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.5 percent of their average final salary (AFS) up to \$13,200 plus 1.65 percent of AFS over \$13,200 for each year of credited service. An optional reduced retirement benefit is available to members of VRS as early as age 50 with 10 years of credited service. Employees with 35 years or more of credited service are entitled to an annual benefit equal to 1.65 percent of AFS for each year of credited service. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Participation law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing the System at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer has assumed the 6.32% member contribution that is deemed the employee share. In addition, the Town is required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2010 was 5.0% of annual covered payroll.

Annual Pension Cost

For 2010, the Town's annual pension cost of \$516,371 was equal to the required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions include (a) 8% investment rate of return, (b) projected salary increases of that range between 4.25% and 6.10% per year, and (c) 3% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 30 years or less.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	\$ 550,469	100.00%	0.00%
June 30, 2009	505,289	100.00%	0.00%
June 30, 2010	516,371	100.00%	0.00%

TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 12. DEFERRED REVENUE

Deferred revenue represents amounts for which assets recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$108,261 is comprised of the following:

A. Deferred Property Tax Revenue

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$190,786 at June 30, 2010.

B. Prepaid Property Taxes

Property taxes due subsequent to June 30, 2010 but paid in advance by the taxpayers totaled \$18,290 at June 30, 2010.

NOTE 13. NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has issued the following statement which is not yet effective:

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides new fund balance classifications and clarifies governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement will be effective for the year ending June 30, 2011.

Management has not yet evaluated the effects, if any, of adopting this standard, but does not expect it to be material

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TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 14. CAPITAL ASSETS

Primary Government:

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Primary Government				
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 4,306,611	\$ 2,808,398	\$ -	\$ 7,115,009
Construction in progress	2,808,398	125,215	2,808,398	125,215
Total assets not being depreciated	<u>7,115,009</u>	<u>2,933,613</u>	<u>2,808,398</u>	<u>7,240,224</u>
Other capital assets:				
Buildings and improvements	10,079,070	295,100	-	10,374,170
Infrastructure/improvements	2,731,092	432,349	-	3,163,441
Vehicles	2,326,258	107,013	-	2,433,271
Furniture and equipment	908,394	210,382	-	1,118,776
Total other capital assets at cost	<u>16,044,814</u>	<u>1,044,844</u>	<u>-</u>	<u>17,089,658</u>
Less accumulated depreciation:				
Buildings and improvements	2,690,953	253,143	-	2,944,096
Infrastructure/improvements	294,948	126,659	-	421,607
Vehicles	1,179,497	257,747	-	1,437,244
Furniture and equipment	401,995	134,052	-	536,047
Total accumulated depreciation	<u>4,567,393</u>	<u>771,601</u>	<u>-</u>	<u>5,338,994</u>
Other capital assets, net	<u>11,477,421</u>	<u>273,243</u>	<u>-</u>	<u>11,750,664</u>
Governmental activities capital assets, net	<u>\$ 18,592,430</u>	<u>\$ 3,206,856</u>	<u>\$ 2,808,398</u>	<u>\$ 18,990,888</u>

Depreciation expense was charged to the following functions:

General government	\$ 73,359
Public safety	229,671
Public works	234,650
Parks and recreation	174,680
Community development	59,241
	<u>\$ 771,601</u>

**TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 14. CAPITAL ASSETS (continued)

Business-type activities

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Primary Government				
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 25,010	\$ -	\$ -	\$ 25,010
Construction in progress	-	-	-	-
Total assets not being depreciated	<u>25,010</u>	<u>-</u>	<u>-</u>	<u>25,010</u>
Other capital assets:				
Buildings and improvements	6,678,741	-	-	6,678,741
Distribution and collection lines	20,543,145	-	-	20,543,145
Vehicles	749,818	38,000	-	787,818
Furniture and equipment	1,493,117	25,555	-	1,518,672
Total other capital assets at cost	<u>29,464,821</u>	<u>63,555</u>	<u>-</u>	<u>29,528,376</u>
Less accumulated depreciation:				
Buildings and improvements	10,190,728	762,159	-	10,952,887
Distribution and collection lines	3,017,120	130,534	-	3,147,654
Vehicles	728,886	25,237	-	754,123
Furniture and equipment	955,321	55,645	-	1,010,966
Total accumulated depreciation	<u>14,892,055</u>	<u>973,575</u>	<u>-</u>	<u>15,865,630</u>
Other capital assets, net	<u>14,572,766</u>	<u>(910,020)</u>	<u>-</u>	<u>13,662,746</u>
Business-type activities, net	<u>\$ 14,597,776</u>	<u>\$ (910,020)</u>	<u>\$ -</u>	<u>\$ 13,687,756</u>

In accordance with new financial reporting standards issued by GASB 42, *"Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries"* requires certain note disclosures. During the fiscal year, the Authority experienced no impairments of capital assets.

NOTE 15. PRIOR PERIOD ADJUSTMENTS

	Governmental Activities
Net assets previously reported at June 30, 2009	\$23,820,867
To correct lease liability	(154,866)
To record fixed asset associated with lease	<u>131,636</u>
Net assets, as restated, at June 30, 2009	<u><u>\$23,797,637</u></u>

TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 16. OTHER POST-EMPLOYMENT BENEFITS

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

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

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2010, the Town's annual OPEB costs of \$62,800 for governmental activities was equal to the Annual Required Contribution (ARC).

	<u>Governmental Activities</u>
Annual required contribution	\$ 62,800
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
	<hr/>
Annual OPEB cost	62,800
Contributions made	-
	<hr/>
Increase in net OPEB obligation	62,800
Net OPEB obligation-beginning of year	-
	<hr/>
Net OPEB obligation-end of year	<u><u>\$ 62,800</u></u>

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

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
30-Jun-10	\$ 8,880	0%	\$ 8,880

TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 16. OTHER POST-EMPLOYMENT BENEFITS (continued)

Funding Status and Funding Progress

The funding status of the plan as of June 30, 2010 was as follows:

	<u>Governmental Activities</u>
Actuarial Accrued Liability (AAL)	\$ 437,700
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	437,700
 Funded Ratio (Actuarial Value of Plan Assets/AAL)	 0%
 Covered Payroll (Active Plan Members)	 4,831,700
 UAAL as a Percentage of Covered Payroll	 9.06%

Funding Status and Funding Progress (Continued)

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

REQUIRED SUPPLEMENTARY

INFORMATION

TOWN OF ABINGDON
STATEMENT OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit C-1

<u>Fund, Major and Minor Revenue Source</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Fund			
Revenue from local sources:			
General property taxes:			
Real property taxes	\$ 1,948,500	\$ 2,890,595	\$ 942,095
Real and personal public service corporation property taxes	61,500	60,693	(807)
Personal property taxes	421,500	411,048	(10,452)
Machinery and tools taxes	10,000	10,134	134
Penalties and interest	32,000	39,681	7,681
Total general property taxes	<u>2,473,500</u>	<u>3,412,150</u>	<u>938,650</u>
Other local taxes:			
Local sales and use taxes	500,000	477,805	(22,195)
Consumer utility taxes	90,000	90,001	1
Communications taxes	137,000	123,746	(13,254)
Business license taxes	977,000	909,712	(67,288)
Franchise license taxes	65,000	97,097	32,097
Motor vehicle licenses	115,000	110,573	(4,427)
Bank stock taxes	400,000	519,602	119,602
Cigarette taxes	125,000	113,511	(11,489)
Meals and lodging taxes	3,418,000	3,427,900	9,900
Total other local taxes	<u>5,827,000</u>	<u>5,869,947</u>	<u>42,947</u>
Permits, privilege fees and regulatory licenses	<u>25,000</u>	<u>20,084</u>	<u>(4,916)</u>
Fines and forfeitures	<u>37,000</u>	<u>26,571</u>	<u>(10,429)</u>
Revenue from use of money and prop.:			
Revenue from use of money	222,706	96,340	(126,366)
Revenue from use of property	<u>7,500</u>	<u>9,944</u>	<u>2,444</u>
Total revenue from use of money and property	<u>230,206</u>	<u>106,284</u>	<u>(123,922)</u>
Charges for services:			
Waste removal	339,000	334,576	(4,424)
Charge for parks and recreation	<u>449,700</u>	<u>447,700</u>	<u>(2,000)</u>
Total charges for services	<u>788,700</u>	<u>782,277</u>	<u>(6,423)</u>

TOWN OF ABINGDON
STATEMENT OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit C-1

<u>Fund, Major and Minor Revenue Source</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Fund (continued)			
Revenue from local sources: (continued)			
Miscellaneous:			
Donations	\$ -	\$ 2,526	\$ 2,526
Unclassified	18,375	5,624	(12,751)
Total miscellaneous revenue	18,375	8,151	(12,751)
Recovered Costs:			
Other	257,456	200,220	(57,236)
Total recovered costs	257,456	200,220	(57,236)
Total revenue from local sources	9,657,237	10,425,684	765,920
Revenue from other Governments:			
Revenue from Washington County:			
Shared expenses	126,167	113,550	(12,617)
Total revenue from other governments	126,167	113,550	(12,617)
Revenue from the Commonwealth:			
Non-categorical aid:			
ABC profits	-	-	-
Rental tax	30,000	29,637	(363)
Mobile home titling tax	150	470	320
Rolling stock	7,500	9,086	1,586
Total non-categorical aid	37,650	39,193	1,543
Revenue from the Commonwealth:			
Categorical aid:			
Street and highway maintenance	1,325,000	1,314,786	(10,214)
VDOT Funds	-	24,668	24,668
DJCP Grants for law enforcement	216,000	258,166	42,166
Asset Forfeiture Funds	5,000	3,361	(1,639)
Commission for the arts	1,275	-	(1,275)
Virginia Tourism Grant	-	1,667	(1,667)
Fire Prevention	21,172	31,159	(9,987)
Conservation	-	20,587	20,587
Total categorical aid	1,568,447	1,654,394	62,639
Total revenue from the Commonwealth	1,606,097	1,693,587	64,182
Revenue from the Federal Government:			
Categorical aid:			
Criminal Justice	-	-	-
Highway Planning	700,000	-	(700,000)
Department of Interior	-	223,750	223,750
National Park Service	-	17,300	17,300
Total revenue from the Federal Government	700,000	241,050	(458,950)
Total General Fund	\$ 12,089,501	\$ 12,473,870	\$ 358,536

TOWN OF ABINGDON
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit D-1

<u>Funds, Function, Activity and Elements</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Fund:			
General Governmental Administration:			
Legislative:			
Personal services	\$ 31,764	\$ 31,764	\$ -
Fringe benefits	3,114	2,978	136
Contractual services	17,500	13,582	3,918
Other services	33,500	31,042	2,458
Total legislative	85,878	79,365	6,513
General and Financial Administration:			
Personal services	856,179	832,011	24,168
Fringe benefits	255,395	269,084	(13,689)
Contractual services	109,200	104,360	4,840
Other charges	146,150	158,386	(12,236)
Capital outlay	139,350	134,243	5,107
Total general and financial administration	1,506,274	1,498,084	8,190
Total general government administration	1,592,152	1,577,449	14,703
Public Safety:			
Police and Traffic Control:			
Personal services	1,061,147	1,079,502	(18,355)
Fringe benefits	393,074	422,076	(29,002)
Contractual services	75,550	53,394	22,156
Other charges	142,500	131,394	11,106
Capital outlay	91,750	286,423	(194,673)
Total police and traffic control	1,764,021	1,972,789	(208,768)
Fire and Rescue Service:			
Personal services	99,500	121,264	(21,764)
Fringe benefits	10,833	8,405	2,428
Contractual services	11,700	15,926	(4,226)
Other charges	59,500	70,620	(11,120)
Capital outlay	41,172	46,723	(5,551)
Total fire and rescue service	222,705	262,937	(40,232)
Bureau of Inspections:			
Personal services	83,958	86,913	(2,955)
Fringe benefits	38,754	40,328	(1,574)
Contractual services	1,000	1,220	(220)
Other charges	6,440	3,235	3,205
Capital outlay	-	-	-
Total Bureau of Inspection	130,152	131,697	(1,545)
Total Public Safety	2,116,878	2,367,422	(250,544)

TOWN OF ABINGDON
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit D-1

<u>Funds, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
General Fund: (continued)			
Public Works:			
Administration:			
Personal services	\$ 188,329	\$ 232,087	\$ (43,758)
Fringe benefits	66,417	73,697	(7,280)
Contractual services	6,500	4,222	2,278
Other charges	33,150	25,836	7,314
Capital outlay	33,000	7,505	25,495
Total Administration	<u>327,396</u>	<u>343,346</u>	<u>(15,950)</u>
Street and Lighting:			
Personal services	478,080	459,851	18,229
Fringe benefits	204,723	198,882	5,841
Contractual services	15,000	12,713	2,287
Other charges	330,750	355,243	(24,493)
Materials and supplies	350,000	345,393	4,607
Capital outlay	231,000	207,567	23,433
Total Streets and Lighting	<u>1,609,553</u>	<u>1,579,649</u>	<u>29,904</u>
Maintenance of Buildings & Grounds:			
Personal services	280,298	290,490	(10,192)
Fringe benefits	115,741	118,838	(3,097)
Contractual services	10,950	6,002	4,948
Other charges	304,925	286,138	18,787
Capital outlay	2,000	2,062	(62)
Total Maintenance of Bldgs. and Grounds	<u>713,914</u>	<u>703,530</u>	<u>10,384</u>
Waste Disposal:			
Personal services	85,220	93,229	(8,009)
Fringe benefits	29,635	34,219	(4,584)
Contractual services	200,600	177,668	22,932
Other charges	33,650	34,690	(1,040)
Capital outlay	5,000	-	5,000
Total Waste Disposal	<u>354,105</u>	<u>339,806</u>	<u>14,299</u>
Total Public Works	<u>3,004,968</u>	<u>2,966,331</u>	<u>38,637</u>
Health and Welfare:			
Contractual services	2,280	2,672	(392)
Tax exemption for the elderly	-	6,919	(6,919)
Total Health and Welfare	<u>2,280</u>	<u>9,591</u>	<u>(7,311)</u>
Parks and Recreation:			
Personal services	957,815	1,096,841	(139,026)
Fringe benefits	309,742	320,051	(10,309)
Contractual services	71,600	101,190	(29,590)
Other charges	1,129,450	507,020	622,430
Veteran's Park	-	-	-
Capital outlay	157,500	97,977	59,523
Total Parks and Recreation	<u>2,626,107</u>	<u>2,123,079</u>	<u>503,028</u>
Cultural:			
Cemeteries:			
Other charges	7,550	885	6,665
Capital outlay	-	-	-
Total Cemeteries	<u>7,550</u>	<u>885</u>	<u>6,665</u>
Total Parks and Rec. & Cultural	<u>2,633,657</u>	<u>2,123,965</u>	<u>509,692</u>

TOWN OF ABINGDON
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit D-1

<u>Funds, Function, Activity and Elements</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Fund: (continued)			
Community Development:			
Personal services	\$ 462,265	\$ 452,142	\$ 10,123
Fringe benefits	127,498	129,120	(1,622)
Contractual services	73,500	70,093	3,407
Other charges	260,121	226,633	33,488
Donations/Appropriations	698,109	682,242	15,867
Capital outlay	6,200	5,257	943
Total Community Development	<u>1,627,693</u>	<u>1,565,487</u>	<u>62,206</u>
Reserve for Contingencies:			
Other charges	<u>221,697</u>	<u>162,024</u>	<u>59,673</u>
Total Reserve for Contingencies	<u>221,697</u>	<u>162,024</u>	<u>59,673</u>
Debt Service:			
Principal retirement	334,000	347,502	(13,502)
Interest and fiscal charges	<u>-</u>	<u>161,760</u>	<u>(161,760)</u>
Total Debt Service	<u>334,000</u>	<u>509,262</u>	<u>(175,262)</u>
Capital Projects:			
Land improvements	-	-	-
Buildings	<u>610,500</u>	<u>931,778</u>	<u>(321,278)</u>
Total Capital Projects	<u>610,500</u>	<u>931,778</u>	<u>(321,278)</u>
Total General Fund	<u>\$ 12,220,351</u>	<u>\$ 12,649,149</u>	<u>\$ (428,799)</u>

TOWN OF ABINGDON
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2010

Exhibit E-1

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2005	\$ 7,924,009	\$ 9,608,373	\$ 1,684,364	82.47%	\$ 3,193,216	52.75%
June 30, 2006	8,514,802	9,807,151	1,292,349	86.82%	3,329,694	38.81%
June 30, 2007	9,729,072	10,509,995	780,923	92.57%	3,778,241	20.67%
June 30, 2008	10,773,409	11,821,134	1,047,725	91.14%	4,124,247	25.40%
June 30, 2009	11,115,629	12,701,222	1,585,593	87.52%	4,444,508	35.68%

OTHER SUPPLEMENTARY
INFORMATION

Non-major Governmental Funds

Special Revenue Funds

The Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The individual special revenue funds are:

Electronic Village - to account for the implementation of cable service to local governments and citizens throughout the town.

Kings Mountain/Taylor's Hill - to account for a Community Block Grant project (rehabilitation).

Sewer Improvement Fund - to account for funds for future sewer line expansion in the area.

Capital Reserve Fund - to account for funds established for the capital improvements relating to fire and rescue services.

Rehabilitation Fund - to account for monies used for low income housing rehabilitation.

Cemetery Fund - to account for the receipt and expenditure of funds for maintenance of a local public cemetery.

TOWN OF ABINGDON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

Exhibit F-1

	Special Revenue Funds			Capital Projects		Permanent Fund	Total Non-major Governmental Funds
	Electronic Village	Kings Mountain/ Taylor's Hill	Sewer Improvement Fund	Capital Reserve Fund	Rehabilitation Fund	Cemetery Fund	
<u>Assets</u>							
Cash	\$ 16,696	\$ 85	\$ 354,637	\$ 745,809	\$ 14,290	\$ 24,421	\$ 1,155,938
Receivables:							
Accrued interest	-	-	1,962	-	3	509	2,474
Due from other funds	-	-	250,000	-	-	-	250,000
Due from other governmental units	-	63,935	-	-	-	-	63,935
Due from component units	-	-	-	-	-	-	-
Total Assets	<u>\$ 16,696</u>	<u>\$ 64,020</u>	<u>\$ 606,599</u>	<u>\$ 745,809</u>	<u>\$ 14,293</u>	<u>\$ 24,930</u>	<u>\$ 1,472,347</u>
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-	14,731	14,731
Due to other funds	<u>3,290</u>	<u>64,035</u>	<u>-</u>	<u>116,110</u>	<u>121</u>	<u>1,097</u>	<u>184,653</u>
Total Liabilities	<u>3,290</u>	<u>64,035</u>	<u>-</u>	<u>116,110</u>	<u>121</u>	<u>15,828</u>	<u>199,384</u>
Fund balances (deficits):							
Unreserved:							
Undesignated	<u>13,406</u>	<u>(15)</u>	<u>606,599</u>	<u>629,699</u>	<u>14,172</u>	<u>9,102</u>	<u>1,272,963</u>
Total Fund Balances	<u>13,406</u>	<u>(15)</u>	<u>606,599</u>	<u>629,699</u>	<u>14,172</u>	<u>9,102</u>	<u>1,272,963</u>
Total Liabilities and Fund Balances	<u>\$ 16,696</u>	<u>\$ 64,020</u>	<u>\$ 606,599</u>	<u>\$ 745,809</u>	<u>\$ 14,293</u>	<u>\$ 24,930</u>	<u>\$ 1,472,347</u>

TOWN OF ABINGDON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

Exhibit F-2

	Special Revenue Funds			Capital Projects		Permanent Fund	Total Non-major Governmental Funds
	Electronic Village	Kings Mountain	Sewer Improvement Fund	Capital Reserve Fund	Rehabilitation Fund	Cemetery Fund	
Revenues:							
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues from the use of money and property	-	-	3,383	2,629	308	693	7,013
Charges for services	42,573	-	-	-	-	-	42,573
Intergovernmental	-	40,561	-	200,000	-	-	240,561
Total revenues	42,573	40,561	3,383	202,629	308	693	290,147
Expenditures:							
Current:							
Public works	-	40,561	-	-	-	-	40,561
Community development	47,770	-	-	-	-	-	47,770
Capital projects	-	-	-	-	-	-	-
Total expenditures	47,770	40,561	-	-	-	-	88,331
Excess (deficiency) of revenues over expenditures	(5,197)	-	3,383	202,629	308	693	201,816
Other financing sources (uses):							
Operating transfers in	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(5,197)	-	3,383	202,629	308	693	201,816
Fund balances - beginning	18,603	(15)	603,216	427,070	13,864	8,409	1,071,147
Fund balances - ending	\$ 13,406	\$ (15)	\$ 606,599	\$ 629,699	\$ 14,172	\$ 9,102	\$ 1,272,963

STATISTICAL SECTION (UNAUDITED)

TOWN OF ABINGDON
GENERAL GOVERNMENT REVENUES BY FUNCTION (1)
LAST TEN FISCAL YEARS

TABLE 1

Fiscal Year Ending	General Property Taxes	Other Local Taxes	Permit Privilege Fees and Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Intergovernmental	Total
2001	\$ 1,700,253	\$ 3,201,315	\$ 29,029	\$ 29,702	\$ 515,325	\$ 337,965	\$ 10,067	\$ 201,339	\$ 1,231,277	\$ 7,256,272
2002	1,994,565	3,454,188	24,803	28,603	313,953	302,878	14,838	297,425	1,382,562	7,813,815
2003	2,152,225	3,484,252	30,479	34,000	202,818	376,718	11,323	488,333	2,033,867	8,814,015
2004	2,092,868	4,023,591	39,356	64,002	157,928	334,594	74,148	251,827	2,553,430	9,591,744
2005	2,162,634	4,127,300	36,778	73,551	208,796	369,159	54,282	203,455	2,804,868	10,040,823
2006	2,263,598	4,284,444	39,795	39,795	323,895	330,543	689	253,408	2,540,704	10,076,871
2007	2,317,059	4,817,990	31,454	47,213	490,063	740,455	473	99,304	2,389,912	10,933,923
2008	2,291,873	5,121,179	29,926	55,492	383,138	738,723	35,859	3,163	2,597,837	11,257,190
2009	2,353,245	5,666,262	24,254	34,264	195,938	854,927	25,188	254,875	2,712,711	12,121,664
2010	3,412,150	5,869,947	20,084	26,571	113,297	824,850	8,151	200,220	2,288,748	12,764,018

TOWN OF ABINGDON
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION (1)
LAST TEN FISCAL YEARS

TABLE 2

Fiscal Year Ending	General Government Administration	Public Safety	Public Works	Health and Welfare	Parks Recreation and Culture	Community Development	Non- Departmental	Debt Service	Capital Projects	Total
2001	\$ 593,136	\$ 1,271,043	\$ 1,907,398	\$ 5,137	\$ 992,655	\$ 649,896	\$ 49,503	\$ 532,489	\$ 339,745	\$ 6,341,002
2002	806,554	1,364,523	2,005,307	1,170	1,164,487	794,064	19,573	585,389	804,114	7,545,181
2003	860,140	1,951,532	1,839,372	990	1,136,398	1,435,456	27,515	578,902	144,931	7,975,236
2004	848,241	1,734,738	1,986,145	1,036	1,708,930	1,350,008	45,267	574,409	677,960	8,926,734
2005	1,030,085	2,361,611	2,452,312	8,514	1,588,602	1,359,843	47,420	573,137	1,049,439	10,470,963
2006	1,044,328	1,851,870	2,462,063	1,460	1,756,468	1,737,235	26,259	531,213	271,706	9,682,602
2007	1,157,711	2,526,369	3,615,701	9,353	1,866,350	1,559,941	36,457	337,701	1,016,920	12,126,503
2008	1,396,408	2,002,734	3,192,441	8,019	2,031,323	1,511,014	77,757	364,354	1,558,482	12,142,532
2009	1,505,155	2,101,677	3,160,722	9,591	2,123,965	49,147	1,858,791	357,628	3,346,647	14,513,323
2010	1,577,449	2,367,422	3,243,545	2,893	2,329,850	162,024	1,613,257	509,262	931,778	12,737,480

TOWN OF ABINGDON
 ASSESSED VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

TABLE 3

Fiscal Year Ending	Tax Rate	Real Estate	Personal Property	Public Service Corporation	Total
2001	\$0.34	\$ 378,772,300	\$ 863,521	\$ 24,482,578	\$ 404,118,399
	0.55	-	56,076,225	121,352	56,197,577
2002	0.34	497,625,900	953,871	21,092,241	519,672,012
	0.55	-	63,124,100	128,806	63,252,906
2003	0.32	501,828,800	985,978	23,015,910	525,830,688
	0.55	-	69,098,140	152,496	69,250,636
2004	0.32	508,446,600	868,829	22,682,100	531,997,529
	0.55	-	68,716,060	112,201	68,828,261
2005	0.28	516,966,900	858,940	21,358,395	539,184,235
	0.55	-	73,624,020	95,775	73,719,795
2006	0.28	618,206,469	903,675	24,613,411	643,723,555
	0.55	-	78,412,965	54,123	78,467,088
2007	0.28	642,449,600	831,201	11,611,232	654,892,033
	0.55	-	82,239,016	54,123	82,293,139
2008	0.28	641,517,000	709,799	21,580,382	663,807,181
	0.55	-	81,228,773	266,012	81,494,785
2009	0.28	644,346,200	731,022	19,769,209	664,846,431
	0.55	-	81,439,160	233,200	81,672,360
2010	0.28	644,346,200	759,626	21,519,981	666,625,807
	0.55	-	78,322,505	406,945	78,729,450

TOWN OF ABINGDON
ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

TABLE 4

<u>Fiscal Year Ending</u>	<u>Total (1) Tax Levy</u>	<u>Current Tax (1) Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent (1) Tax Collections</u>	<u>Total Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
2001	\$ 1,697,308	\$ 1,617,969	95.3%	\$ 25,042	\$ 1,643,011	96.8%	1.48%
2002	2,021,339	1,923,661	95.2%	43,767	1,967,428	97.3%	2.17%
2003	2,051,379	1,983,425	96.7%	91,400	2,074,825	101.1%	4.46%
2004	2,089,053	1,997,824	95.6%	81,487	2,079,311	99.5%	3.90%
2005	2,137,796	2,049,280	95.9%	68,616	2,117,896	99.1%	3.21%
2006	2,234,163	2,200,288	98.5%	64,431	2,264,719	101.4%	2.88%
2007	2,257,184	2,196,832	97.3%	56,952	2,253,784	99.8%	2.52%
2008	2,285,547	2,206,019	96.5%	147,226	2,353,245	103.0%	6.44%
2009	2,273,559	2,197,117	96.6%	76,442	2,273,559	100.0%	3.36%
2010	3,475,376	3,252,495	93.6%	68,402	3,320,897	95.6%	1.97%

TOWN OF ABINGDON
RATIO OF NET GENERAL OBLIGATION DEBT TO
ASSESSED VALUE AND NET DEBT PER CAPITAL
LAST TEN FISCAL YEARS

TABLE 5

Fiscal Year Ending	Population (1)	Assessed Value (In Thousands)	Gross Bonded Debt (2)	Less		Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt Per Capita
				Debt Service Monies Available	Debt Payable Enterprise Revenues			
2001	6,973	\$ 460,315,976	\$ 11,661,512	\$ -	\$ 7,381,806	\$ 4,279,706	0.9297%	614
2002	6,973	582,924,918	10,032,913	-	6,450,384	3,582,529	0.6146%	514
2003	7,780	595,081,324	9,190,093	-	5,976,645	3,213,448	0.5400%	413
2004	7,780	600,825,790	8,307,247	-	5,497,247	2,810,000	0.4677%	361
2005	7,780	612,904,030	8,280,758	-	5,870,758	2,410,000	0.3932%	310
2006	7,780	722,190,643	13,323,996	-	11,333,396	1,990,600	0.2756%	256
2007	7,780	737,185,172	14,738,102	-	12,998,102	1,740,000	0.2360%	224
2008	7,780	745,301,966	14,355,734	-	12,875,734	1,480,000	0.1986%	190
2009	7,780	746,518,791	17,359,963	-	12,578,963	4,781,000	0.6404%	615
2010	7,780	748,298,167	16,439,516	-	11,928,516	4,511,000	0.6028%	580

(1) Data is from the U.S. Bureau of the Census.

(2) Includes all long-term general obligation bonded debt.

COMPLIANCE
SECTION



**RONALD C. BOSTIC, CPA
GREGORY D. TUCKER, CPA**

**P.O. Box 505, Lebanon, VA 24266
(276) 889-3103 Fax: (276) 889-0229
www.bthcpa.com**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

The Honorable Members of the
Town Council
Town of Abingdon, Virginia:

We have audited the financial statements of the Town of Abingdon, Virginia as of and for the year ended June 30, 2010, and have issued our report thereon dated October 15, 2010. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audit of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purposes 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Abingdon's internal control over reporting.

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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended for the information of the members of the Town Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Bostic, Tucker and Company PC

Lebanon, Virginia
October 15, 2010