

**TOWN OF ABINGDON, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the
Town Council
Town of 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 Town of Abingdon, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Town'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 Town'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 remaining fund information of the Town of Abingdon, Virginia, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 11 to the financial statements, the Town adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. As a result, net position as of June 30, 2014 has been restated. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 53-58 and the schedule of funding progress on page 59, and the schedule of changes in net pension liability and related ratios on pages 60-61 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 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 of Abingdon, Virginia's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The statistical section has 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 January 15, 2016, on our consideration of the Town of Abingdon, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Town of Abingdon, Virginia's internal control over financial reporting and compliance.

Bostic, Tucker and Company PC

Lebanon, Virginia
January 15, 2016

BASIC FINANCIAL

STATEMENTS

**TOWN OF ABINGDON, VIRGINIA
STATEMENT OF NET POSITION
JUNE 30, 2015**

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total Reporting Entity
Assets			
Cash and cash equivalents	\$ 5,660,500	\$ 3,558,413	\$ 9,218,913
Receivables, net	78,109	616,734	694,843
Taxes receivable, net	1,671,985	-	1,671,985
Due from other governments	105,751	-	105,751
Internal balances	1,033,114	(1,033,114)	-
Prepaid Expenses	99,545	19,852	119,397
Inventories	1,500	-	1,500
Capital assets, net	21,179,079	12,574,891	33,753,970
 Total assets and other debits	 \$ 29,829,582	 \$ 15,736,776	 \$ 45,566,358
Deferred Outflows of Resources			
Deferred pensions	\$ 371,503	\$ 65,559	\$ 437,062
Liabilities			
Accounts payable	\$ 251,357	\$ 40,681	\$ 292,038
Accrued liabilities	320,922	204,755	525,677
Accrued interest payable	33,122	2,133	35,255
Deposits and advances	-	185,825	185,825
Pension liability	2,329,494	411,087	2,740,581
Noncurrent liabilities:			
Due within one year	515,865	921,697	1,437,562
Due in more than one year	4,850,046	9,136,175	13,986,221
 Total liabilities	 8,300,806	 10,902,353	 19,203,159
Deferred Inflows of Resources			
Deferred revenue	1,072,433	-	1,072,433
Deferred pensions	795,687	140,415	936,102
Total deferred inflows of resources	1,868,120	140,415	2,008,535
Net Position			
Net Investment in capital assets	15,813,168	2,517,019	18,330,187
Unrestricted (deficit)	4,218,991	2,242,548	6,461,539
 Total net position	 \$ 20,032,159	 \$ 4,759,567	 \$ 24,791,726

The Accompanying Notes to Financial Statements An Integral Part Of This Statement

**TOWN OF ABINGDON, VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 1,583,573	\$ -	\$ -	\$ -	\$ (1,583,573)	\$ -	\$ (1,583,573)
Public safety	2,728,805	-	615,465	-	(2,113,340)	-	(2,113,340)
Public works	3,715,968	369,912	1,759,764	696,721	(889,571)	-	(889,571)
Health and welfare	264,880	-	-	-	(264,880)	-	(264,880)
Non-departmental	258,509	-	-	-	(258,509)	-	(258,509)
Parks, recreation and cultural	2,219,947	436,640	50,150	-	(1,733,157)	-	(1,733,157)
Community development	2,220,759	14,390	35,000	-	(2,171,369)	-	(2,171,369)
Interest on long-term debt	116,242	-	-	-	(116,242)	-	(116,242)
Total government activities	13,108,684	820,942	2,460,379	696,721	(9,130,642)	-	(9,130,642)
Business-type activities:							
Sewer	2,663,324	2,966,165	-	-	-	302,841	302,841
Total business type-activities	2,663,324	2,966,165	-	-	-	302,841	302,841
Total primary government	\$ 15,772,008	\$ 3,787,107	\$ 2,460,379	\$ 696,721	(9,130,642)	302,841	(8,827,801)
General Revenues:							
Taxes					8,854,836	-	8,854,836
Grants and contributions not restricted to specific programs					56,435	-	56,435
Investment and investment earnings					42,940	3,553	46,493
License and permits					14,238	-	14,238
Fines					42,139	-	42,139
Miscellaneous					243,645	-	243,645
Transfers					-	-	-
Total general revenues, special item and transfers					9,254,232	3,553	9,257,785
Change in net position					123,590	306,394	429,984
Net position beginning, as restated					19,908,568	4,453,173	24,361,741
Net position ending					\$ 20,032,159	\$ 4,759,567	\$ 24,791,726

The Accompanying Notes to Financial Statements An Integral Part Of This Statement

**TOWN OF ABINGDON, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

Exhibit A-1

		Other Governmental Funds	Total Governmental Funds
<u>Assets</u>	<u>General</u>		
Cash and cash equivalents	\$ 4,912,566	\$ 747,934	\$ 5,660,500
Accrued interest receivable	3,651	269	3,920
Receivables (Net of allowance for uncollectibles):			
Taxes	1,671,985	-	1,671,985
Accounts	74,188	-	74,188
Prepaid Insurance	99,545	-	99,545
Due from other government units	41,817	63,935	105,752
Due from other Town funds	918,169	250,000	1,168,169
Gasoline inventory	1,500	-	1,500
Total assets	\$ 7,723,421	\$ 1,062,138	\$ 8,785,559
<u>Liabilities</u>			
Accounts payable	\$ 236,627	\$ 14,730	\$ 251,357
Accrued liabilities	320,922	-	320,922
Due to other Town funds	-	135,054	135,054
Total liabilities	\$ 557,549	\$ 149,784	\$ 707,333
<u>Deferred Inflows of Resources</u>			
Deferred revenue	\$ 1,295,546	\$ -	\$ 1,295,546
<u>Fund Balance</u>			
Fund balance:			
Nonspendable			
Prepaid Expense	99,545	-	99,545
Inventory	1,500	-	1,500
Restricted for:			
Sewer Improvement	-	614,219	614,219
Capital Reserve	-	325,733	325,733
Rehabilitation	-	13,786	13,786
Cemetery	-	11,517	11,517
Unassigned	5,769,280	(52,902)	5,716,378
Total fund equity	5,870,325	912,353	6,782,678
Total liabilities and fund balance	\$ 7,723,421	\$ 1,062,138	\$ 8,785,559

Total fund balances per Balance Sheet for Governmental Funds \$ 6,782,678

Amounts reported for governmental activities in the Statement of Net Position 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. 594,617

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. 21,179,079

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. (8,524,214)

Net Position of governmental activities **\$ 20,032,159**

The Accompanying Notes to Financial Statements An Integral Part Of This Statement

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

Exhibit A-2

	General	Other Governmental Funds	Totals (Memo Only)
Revenues:			
General property taxes	\$ 2,584,556	\$ -	\$ 2,584,556
Other local taxes	6,229,713	-	6,229,713
Permits, privilege fees and regulatory licenses	14,238	-	14,238
Fines and forfeitures	42,139	-	42,139
Revenues from use of money and property	41,756	1,184	42,940
Charges for services	806,552	14,390	820,942
Miscellaneous	27,585	-	27,585
Recovered costs	216,060	-	216,060
Intergovernmental	<u>3,213,533</u>	<u>-</u>	<u>3,213,533</u>
Total revenues	<u>13,176,131</u>	<u>15,574</u>	<u>13,191,705</u>
Expenditures:			
Current:			
General government administration	1,592,285	-	1,592,285
Public safety	3,253,764	-	3,253,764
Public works	3,567,118	-	3,567,118
Health and welfare	6,285	-	6,285
Parks, recreation, and cultural	2,291,793	-	2,291,793
Contingencies	258,509	-	258,509
Community development	2,099,251	15	2,099,266
Debt service	568,136	-	568,136
Capital projects	<u>1,824,652</u>	<u>-</u>	<u>1,824,652</u>
Total expenditures	<u>15,461,794</u>	<u>15</u>	<u>15,461,809</u>
Excess (deficiency) of revenues over expenditures	<u>(2,285,663)</u>	<u>15,559</u>	<u>(2,270,104)</u>
Other financing sources (uses):			
Issuance of long-term debt	691,827	-	691,827
Operating transfers in (out)	<u>314,954</u>	<u>(314,954)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,006,781</u>	<u>(314,954)</u>	<u>691,827</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(1,278,881)</u>	<u>(299,395)</u>	<u>(1,578,277)</u>
Fund balances, July 1, 2014	<u>7,149,206</u>	<u>1,211,749</u>	<u>8,360,955</u>
Fund balances, June 30, 2015	<u>\$ 5,870,325</u>	<u>\$ 912,353</u>	<u>\$ 6,782,678</u>

The Accompanying Notes to Financial Statements An Integral Part Of This Statement

**TOWN OF ABINGDON, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit A-3

Net change in fund balances - total government funds **\$ (1,578,277)**

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	\$ 223,112	
Subtract last year's deferred property tax revenue	(182,545)	
		40,567

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)	2,536,463	
Subtract depreciation	(729,946)	
		1,806,517

Governmental Funds report pension contributions as expenditures. However in the Statement of Activities, the cost of benefits earned net of employee contributions is reported as expense.

Pension Contributions Made	371,503	
Cost of benefits earned net of employee contributions		
(Pension expense from the pension schedule)	(218,698)	
		152,805

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

Add debt repayment	469,317	
Subtract debt proceeds	(691,827)	
		(222,510)

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).

(75,511)

Change in Net Position of Governmental Activities	\$ 123,590	
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The Accompanying Notes to Financial Statements An Integral Part Of This Statement

**TOWN OF ABINGDON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit A-4

	Original and Final Budget	Actual	Positive (Negative) Variance
Revenues:			
General property taxes	\$ 2,587,000	\$ 2,584,556	\$ (2,444)
Other local taxes	6,352,500	6,229,713	(122,787)
Permits, privilege fees and regulatory licenses	19,700	14,238	(5,462)
Fines and forfeitures	52,250	42,139	(10,111)
Revenues from use of money and property	28,448	41,756	13,308
Charges for services	803,500	806,552	3,052
Miscellaneous	623,948	27,585	(596,363)
Recovered costs	200,693	216,060	15,367
Intergovernmental	4,221,264	3,213,533	(1,007,731)
	<u>14,889,303</u>	<u>13,176,131</u>	<u>(1,713,172)</u>
Total revenues			
Expenditures:			
General government administration	1,724,294	1,592,285	132,009
Public safety	2,453,396	3,253,764	(800,368)
Public works	4,657,671	3,567,118	1,090,553
Health and welfare	5,500	6,285	(785)
Parks, recreation, and cultural	2,853,539	2,291,793	561,746
Community development	2,264,677	2,099,251	165,426
Contingencies	245,506	258,509	(13,003)
Debt service	660,662	568,136	92,526
Capital Projects	1,774,058	1,824,652	(50,594)
	<u>16,639,303</u>	<u>15,461,794</u>	<u>1,177,509</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(1,750,000)</u>	<u>(2,285,663)</u>	<u>(535,663)</u>
Other financing sources (uses):			
Issuance of long-term debt	1,200,000	691,827	(508,173)
Operating transfers in	550,000	314,954	(235,046)
	<u>1,750,000</u>	<u>1,006,781</u>	<u>(743,219)</u>
Total other financing sources (uses)			
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	(1,278,881)	(1,278,881)
Fund balances, July 1, 2014	-	7,149,206	7,149,206
Fund balances, June 30, 2015	<u>\$ -</u>	<u>\$ 5,870,325</u>	<u>\$ 5,870,325</u>

The Accompanying Notes to Financial Statements An Integral Part Of This Statement

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

Exhibit B-1

	<u>Business-type Activities</u>
	<u>Sewer</u>
Assets	
Cash and cash equivalents	\$ 3,558,413
Receivables (net of allowances for uncollectibles)	616,053
Accrued interest receivable	681
Prepaid Expenses	19,852
Capital assets, net	<u>12,574,891</u>
 Total assets and other debits	 \$ <u>16,769,890</u>
Deferred Outflows of Resources	
Deferred pensions	\$ <u>65,559</u>
Liabilities	
Accounts payable	\$ 40,681
Accrued liabilities	40,069
Accrued interest payable	2,133
Due to other funds	1,033,114
Claims, judgements, and compensated absences	164,685
Deposits and advances	185,825
Pension Liability	411,087
Noncurrent liabilities:	
Due within one year	921,697
Due in more than one year	<u>9,136,175</u>
 Total liabilities	 <u>11,935,466</u>
Deferred Inflows of Resources	
Deferred pensions	\$ <u>140,415</u>
Net Position	
Net Investment in capital assets	2,517,019
Unrestricted (deficit)	<u>2,242,548</u>
 Total net position	 \$ <u>4,759,567</u>

The Accompanying Notes to Financial Statements An Integral Part Of This Statement

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit B-2

	<u>Business-type Activity</u>
	<u>Proprietary Fund</u>
	<u>Enterprise</u>
Operating Revenues:	
Sewer service charges	\$ 2,885,977
Solid waste collection charges	62,655
Sewer connection charges	14,755
Total operating revenues	2,963,387
Operating expenses:	
Salaries and benefits	1,287,289
Contractual services	59,517
Repairs and maintenance	132,577
Materials and supplies	92,929
Utilities	267,824
Insurance	6,928
Depreciation	718,701
Other operating expenses	60,561
Total operating expenses	2,626,326
Operating income (loss)	337,061
Nonoperating revenues (expenses):	
Interest revenue	3,553
Interest expense	(36,998)
Miscellaneous income	2,778
Net income before operating transfers	306,394
Net operating transfers in (out)	-
Net income (loss)	306,394
Net position - beginning (as adjusted)	4,453,173
Net position - ending	<u><u>\$ 4,759,567</u></u>

The Accompanying Notes to Financial Statements An Integral Part Of This Statement

**TOWN OF ABINGDON, VIRGINIA
STATEMENT CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit B-3

	Business-type Activity:
	Proprietary Funds
	Enterprise
Cash flows from operating activities:	
Cash received from customers	\$ 2,966,615
Cash payments to suppliers for goods and services	(610,730)
Cash payments to employees for services and benefits	(1,307,395)
Net cash provided by operating activities	1,048,490
Cash flows for noncapital financing activities:	
Increase in customer deposits	23,276
Miscellaneous non-operating income	2,778
Net cash provided by noncapital financing activities	26,054
Cash flows from capital and related financing activities:	
Acquisition & construction of capital assets	(59,313)
Net borrowings (repayments) of long-term debt	(907,827)
Interest paid on bonds	(37,350)
Net cash provided by (used for) capital and related financing activities	(1,004,490)
Cash flows from investing activities:	
Transfers from other funds	46,986
Interest on investments	4,238
Net cash provided by investing activities	51,224
Net increase in cash and cash equivalents	121,278
Cash and cash equivalents, June 30, 2014	3,437,135
Cash and cash equivalents, June 30, 2015	<u>\$ 3,558,413</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 337,061
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	718,701
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	3,229
(Increase) decrease in prepaid expenses	(19,852)
Increase (decrease) in accounts payable	23,266
Increase (decrease) in accrued liabilities	6,192
Increase (decrease) in accrued pension liability	(26,964)
Increase (decrease) in unpaid compensated absences	6,857
Net cash provided by operating activities	<u>\$ 1,048,490</u>
Other information: Interest paid during fiscal year	<u>\$ 37,350</u>

The Accompanying Notes to Financial Statements An Integral Part Of This Statement

**NOTES TO FINANCIAL
STATEMENTS**

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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 position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units, if any. 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, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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.

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, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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

C. 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, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

C. 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.

D. Assets, liabilities, and net position 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."

Prepaid expenses

Prepaid expenses are for payments made by the Town in the current fiscal year to provide services occurring in the subsequent fiscal year.

**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

D. Assets, liabilities, and net position 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 \$248,215 at June 30, 2015 and is comprised of \$144,605 for property taxes and \$103,610 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 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.

**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

D. Assets, liabilities, and net position or equity - continued

Capital assets - continued

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 and 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 Standards' 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, 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.

**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

D. Assets, liabilities, and net position or equity - continued

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 Position

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

- Net investment in capital assets—consist of historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted—consist of assets that are restricted by the Town's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on share revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board

The Town has implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2014. The Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements has not changed as a result of implementing this Statement and no restatement of prior balances is required.

Items Previously Reported as Assets and Liabilities, Statement No. 65 of Governmental Accounting Standards Board

The Town implemented the financial reporting provisions of GASB Statement No. 65 for the fiscal year ended June 30, 2014. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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

D. Assets, liabilities, and net position or equity - continued

Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond and grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

E. New Accounting Pronouncements

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

Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*—the provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2014.

Statement No. 69, *Governmental Combinations and Disposals of Government Operations*—the provisions of this statement are effective for financial statements for periods beginning after December 15, 2013.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*—the provisions of this statement are effective for financial statements for fiscal years beginning after June 30, 2014.

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**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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.

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, 2015, the following funds had deficit fund equity:

Kings Mountain/Taylor's Hill	\$ 15
Electronic Village	52,887

**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. 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: Statutes authorize local governments and other public bodies 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), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, 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, 2015:

	Primary Government
Commonwealth of Virginia	
Local Sales Tax	\$ 41,816
Total Commonwealth of Virginia	<u>\$ 41,816</u>
Federal Government	
CDBG Funds	\$ 63,935
Total Federal Government	<u>\$ 63,935</u>
Total Due From Other Governments	<u>\$ 105,751</u>

NOTE 5. INTER-FUND OBLIGATIONS

Fund	Receivable	Payable
General	\$ 918,169	\$ -
Sewer Fund	-	1,033,114
Kings Mountain	-	64,036
Electronic Village	-	69,203
Sewer Improvement Fund	250,000	-
Rehabilitation Fund	-	718
Cemetery Fund	-	1,097
	<u>\$ 1,168,169</u>	<u>\$ 1,168,169</u>

**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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, 2015:

Governmental Activities	Amounts Payable at June 30, 2014	Increases	Decreases	Amounts Payable at June 30, 2015	Amounts Due Within One Year
Bonds payable	\$ 3,744,708	\$ -	\$ 265,418	\$ 3,479,290	\$ 262,033
Leases Payable	407,737	691,827	203,127	896,437	89,237
Total Bonds and leases	<u>4,152,445</u>	<u>691,827</u>	<u>468,545</u>	<u>4,375,727</u>	<u>351,270</u>
Other liabilities:					
Other Post Employment					
Benefit Obligations	317,331	79,473	13,000	383,804	13,000
Pension liability as restated	2,906,482		576,988	2,329,494	-
Claims, judgements, and compensated absences payable	614,765	-	8,385	606,380	151,595
Total other liabilities	<u>932,096</u>	<u>79,473</u>	<u>21,385</u>	<u>3,319,678</u>	<u>164,595</u>
Total long-term liabilities	<u>\$ 5,084,541</u>	<u>\$ 771,300</u>	<u>\$ 489,930</u>	<u>\$ 7,695,405</u>	<u>\$ 515,865</u>

Business-type activities	Amounts Payable at July 1, 2014	Increases	Decreases	Amounts Payable at June 30, 2015	Amounts Due Within One Year
Claims, judgements, and compensated absences payable	\$ 157,829	\$ 6,856	\$ -	\$ 164,685	\$ 32,937
Pension liability as restated	512,908	-	101,821	411,087	-
Leases Payable	181,100	-	58,279	122,821	60,342
Bonds payable	<u>10,784,598</u>	<u>15,487</u>	<u>865,033</u>	<u>9,935,052</u>	<u>828,418</u>
Total long-term liabilities	<u>\$ 11,636,435</u>	<u>\$ 22,343</u>	<u>\$ 1,025,133</u>	<u>\$ 10,633,645</u>	<u>\$ 921,697</u>

**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 6. LONG-TERM DEBT - (continued)

B. 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 \$246,960 per year through June 1, 2024. The refunding will reduce debt service costs by \$125,238.

C. 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	General Obligation Bonds		
June 30	Principal	Interest	Total
2016	\$ 271,033	\$ 84,050	\$ 355,083
2017	277,641	77,572	355,213
2018	284,345	70,934	355,279
2019	290,946	64,136	355,082
2020	298,647	57,180	355,827
2021-2025	1,456,933	175,362	1,632,295
2026-2030	599,745	30,234	629,979
	<u>\$ 3,479,290</u>	<u>\$ 559,468</u>	<u>\$ 4,038,758</u>

General Obligation Bonds	Original Issue Amount	Interest Rates	Annual Principal Requirements	Total Outstanding
General Obligation Refunding Bonds 2013	\$1,347,167	2.25	\$80,898 to \$151,976	\$ 1,172,900
General Obligation Bonds 2013	\$ 2,600,000	2.5	\$144,993 to \$204,871	2,306,390
Total general obligation bonds				<u>\$ 3,479,290</u>

**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 6. LONG-TERM DEBT - (continued)

D. 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
2000 Revenue Bond, due 2019	\$ 651,942	3.50%	\$ 38,683	\$ 191,684
2004 Revenue Bond, due 2027	9,798,168	0.00%	597,530	7,170,354
2011 Revenue Bond, due 2033	1,908,392	0.00%	95,420	1,674,814
2013 Refunding Series	1,122,433	2.25%	113,716	898,200
				<u>\$ 9,935,052</u>

D. Revenue Bonds

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

Year Ending June 30	Revenue Bonds		
	Principal	Interest	Total
2016	\$ 868,798	\$ 26,572	\$ 895,370
2017	873,511	22,102	895,613
2018	878,075	17,508	895,583
2019	882,591	12,792	895,383
2020	863,855	7,957	871,812
2021-2025	3,652,548	8,763	3,661,311
2026-2030	1,672,160	-	1,672,160
2031-2035	243,514	-	243,514
	<u>\$ 9,935,052</u>	<u>\$ 95,694</u>	<u>\$ 10,030,746</u>

E. 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 \$771,065 in the Statement of Net Position of the government - wide statements.

**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 7. COMMITMENTS AND CONTINGENT LIABILITIES

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.

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 Company - Surety Blanket Bond	\$1,000,000
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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, 2015 is as follows:

Fiscal Year Ending June 30	Governmental Activities	Business Activities
2016	\$ 324,289	\$ 64,690
2017	176,731	64,690
2018	83,543	-
2019	83,543	-
2020	56,623	-
2021-2025	283,116	-
Total minimum lease payments	1,007,845	129,380
Less amounts representing interest	111,408	6,559
Present value of net minimum lease payments	\$ 896,437	\$ 122,821

**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11. PENSION PLAN

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

Plan Description

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

The System administers three different benefit structures for covered employees—Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table:

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**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11. PENSION PLAN

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
About VRS Plan 1 VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	About VRS Plan 2 VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11. PENSION PLAN

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
Eligible Members Employees are in VRS 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 VRS 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 had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.	Eligible Members Employees are in VRS 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 VRS 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 VRS 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 have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • State employees* • School division employees • Political subdivision employees* • Judges appointed or elected to an original term on or after January 1, 2014 • Members in VRS Plan 1 or VRS 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: • Members of the State Police Officers' Retirement System (SPORS) • Members of the Virginia Law Officers' Retirement System (VaLORS) • 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 have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11. PENSION PLAN

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
Retirement Contributions Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; 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 Same as VRS Plan 1.	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 VRS 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 e

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 11. PENSION PLAN

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
		<u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
<u>Vesting</u> 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.	<u>Vesting</u> Same as VRS Plan 1.	<u>Vesting</u> <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. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. <u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11. PENSION PLAN

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
		<u>Defined Contributions Component (Continued):</u> 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 available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit See definition under VRS Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under VRS Plan 1 <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11. PENSION PLAN

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
Service Retirement Multiplier 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 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.	Service Retirement Multiplier Same as Plan1 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.	Service Retirement Multiplier The retirement multiplier is 1.0%. For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Normal Retirement Age Age 65.	Normal Retirement Age Normal Social Security retirement age.	Normal Retirement Age <u>Defined Benefit Component:</u> Same as VRS Plan 2. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11. PENSION PLAN

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	90. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	<u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	Earliest Reduced Retirement Eligibility Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. <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%.	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.	Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as VRS Plan 2. <u>Defined Contribution Component:</u> Not applicable.

**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11. PENSION PLAN

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <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. <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.	Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Eligibility:</u> Same as VRS Plan 1 <u>Exceptions to COLA Effective Dates:</u> Same as VRS Plan 1	Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Eligibility:</u> Same as VRS Plan 1 and VRS Plan 2. <u>Exceptions to COLA Effective Dates:</u> Same as VRS Plan 1 and VRS Plan 2.

**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11. PENSION PLAN

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates (Cont.):</u> • 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.		
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Disability Coverage Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. State employees (including VRS Plan 1 and VRS Plan2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 11. PENSION PLAN

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as VRS Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported services • The cost of purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that on-year period, the rate for most categories of service will change to actuarial cost. <u>Defined Contribution Component:</u> Not applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11. PENSION PLAN – (continued)

Employees Covered by Benefit Terms

As of the June 30, 2013 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>50</u>
Inactive members:	
Vested inactive members	10
Non-vested inactive members	29
Inactive members active elsewhere in VRS	<u>27</u>
Total inactive members	66
Active members	<u>142</u>
Total covered employees	<u><u>258</u></u>

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

The Town's contractually required contribution rate for the year ended June 30, 2015 was 8.42% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the Town were \$511,265 and \$484,889 for the years ended June 30, 2015 and June 30, 2014, respectively.

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**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11. PENSION PLAN – (continued)

Net Pension Liability

The political subdivisions net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014

Inflation 2.5 percent

Salary increases, including

Inflation 3.5 percent – 5.35%

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.

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**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11. PENSION PLAN – (continued)

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11. PENSION PLAN – (continued)

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

Largest 10 – Non-LEOS:

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

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

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

Actuarial Assumptions

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 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
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11. PENSION PLAN – (continued)

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

Largest 10 – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11. PENSION PLAN – (continued)

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

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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

Long-Term Expected Rate of Return

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

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

**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11. PENSION PLAN – (continued)

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

Discount Rate

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	(a)		
Balance at June 30, 2013	\$ 17,205,836	\$ 13,301,557	\$ 3,904,279
Changes for the year:			
Service Cost	496,315	-	496,315
Interest	1,178,764	-	1,178,764
Differences between expected and actual experience			
Contributions - employer	-	484,889	(484,889)
Contributions - employee	-	263,590	(263,590)
Net investment income	-	2,101,401	(2,101,401)
Benefit payments, including refunds of employee contributions	(732,689)	(732,689)	-
Administrative expenses	-	(11,213)	11,213
Other changes	-	110	(110)
Net changes	<u>942,390</u>	<u>2,106,088</u>	<u>(1,163,698)</u>
Balance at June 30, 2014	<u>\$ 18,148,226</u>	<u>\$ 15,407,645</u>	<u>\$ 2,740,581</u>

**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11. PENSION PLAN – (continued)

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

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

	<u>Rate (6.00%)</u>	<u>Rate (7.00%)</u>	<u>Rate (8.00%)</u>
Net Pension Liability	\$ 5,258,772	\$ 2,740,581	\$ 669,427

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

For the year ended June 30, 2015, the Town recognized pension expense of \$257,293. At June 30, 2015, the political subdivision 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	\$ -	\$ -
Change in assumptions	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 936,102
Employer contributions subsequent to the measurement date	\$ 437,062	\$ -
Total	<u>\$ 437,062</u>	<u>\$ 936,102</u>

\$437,062 reported as deferred outflows of resources related to pensions resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30

2016	\$ (234,026)
2017	(234,026)
2018	(234,025)
2019	(234,025)
Thereafter	-
	<u>\$ (936,102)</u>

**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11. PENSION PLAN – (continued)

Payables to the Pension Plan

At June 30, 2015, the Town reported a payable of \$57,342 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

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 \$1,295,546 is comprised of the following:

A. Deferred Property Tax Revenue

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$1,261,667 at June 30, 2015.

B. Prepaid Property Taxes

Property taxes due subsequent to June 30, 2015 but paid in advance by the taxpayers totaled \$33,879 at June 30, 2015.

NOTE 13. NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has issued the following statements which are not yet effective.

GASB Statement No. 72, *Fair Value Measurement and Application* addresses accounting and financial reporting issues related to fair value measurements. The provisions of Statement No. 72 are effective for financial statements for reporting beginning after June 15, 2015.

Management has not yet evaluated the effects, if any, of adopting the other standards above, but does not expect them to be material.

**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 14. CAPITAL ASSETS

Primary Government:

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Primary Government				
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 6,888,243	\$ -	\$ -	\$ 6,888,243
Total assets not being depreciated	6,888,243	-	-	6,888,243
Other capital assets:				
Buildings and improvements	11,684,337	-	-	11,684,337
Infrastructure/improvements	4,753,709	1,706,700	-	6,460,409
Vehicles	2,860,963	757,377	-	3,618,340
Furniture and equipment	1,339,099	72,387	-	1,411,486
Total other capital assets at cost	20,638,108	2,536,464	-	23,174,572
Less accumulated depreciation:				
Buildings and improvements	4,076,270	319,666	-	4,395,936
Infrastructure/improvements	1,048,676	171,381	-	1,220,057
Vehicles	2,204,844	169,276	-	2,374,120
Furniture and equipment	824,000	69,623	-	893,623
Total accumulated depreciation	8,153,790	729,946	-	8,883,736
Other capital assets, net	12,484,318	1,806,518	-	14,290,836
Governmental activities capital assets, net	\$ 19,372,561	\$ 1,806,518	\$ -	\$ 21,179,079

Depreciation expense was charged to the following functions:

General government	\$ 39,815
Public safety	200,096
Public works	184,050
Parks and recreation	258,595
Community development	47,390
	<u>\$ 729,946</u>

**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 14. CAPITAL ASSETS (continued)

Business-type activities

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
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	155,833	-	-	155,833
Plant	23,220,736	-	-	23,220,736
Distribution and collection lines	6,495,855	-	-	6,495,855
Vehicles	1,218,465	25,534	-	1,243,999
Furniture and equipment	1,492,686	33,780	-	1,526,466
Total other capital assets at cost	<u>32,583,575</u>	<u>59,314</u>	<u>-</u>	<u>32,642,889</u>
Less accumulated depreciation:				
Buildings and improvements	86,011	3,400	-	89,411
Plant	13,483,389	455,362	-	13,938,751
Distribution and collection lines	3,693,389	142,623	-	3,836,012
Vehicles	886,602	66,248	-	952,850
Furniture and equipment	1,224,916	51,068	-	1,275,984
Total accumulated depreciation	<u>19,374,307</u>	<u>718,701</u>	<u>-</u>	<u>20,093,008</u>
Other capital assets, net	<u>13,209,268</u>	<u>(659,387)</u>	<u>-</u>	<u>12,549,881</u>
Business-type activities, net	<u>\$ 13,234,278</u>	<u>\$ (659,387)</u>	<u>\$ -</u>	<u>\$ 12,574,891</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 Town experienced no impairments of capital assets.

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**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 15. 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, 2013. 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, 2015, the Town's annual OPEB cost of \$80,100 for governmental activities was equal to the Annual Required Contribution (ARC).

	<u>Governmental Activities</u>
Annual required contribution	\$ 80,100
Interest on net OPEB obligation	11,107
Adjustment to annual required contribution	<u>(11,734)</u>
Annual OPEB cost	79,473
Contributions made	13,000
Increase in net OPEB obligation	66,473
Net OPEB obligation-beginning of year	<u>317,331</u>
Net OPEB obligation-end of year	<u><u>\$ 383,804</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>
June 30, 2011	62,800	0%	125,600
June 30, 2012	62,800	0%	188,400
June 30, 2013	71,028	11.40%	251,328
June 30, 2014	75,103	12.12%	317,331
June 30, 2015	79,473	16.36%	383,804

**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 15. OTHER POST-EMPLOYMENT BENEFITS (continued)

Funding Status and Funding Progress

The funding status of the plan as of June 30, 2013 (the last actuarial valuation) was as follows:

	Governmental Activities
Actuarial Accrued Liability (AAL)	\$ 490,400
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	490,400
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	5,370,500
UAAL as a Percentage of Covered Payroll	9.13%

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.

NOTE 16. GASB 54 FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS

Purpose

The Town Council of the Town of Abingdon is dedicated to maintaining an appropriate level of fund balance sufficient to mitigate current and future financial risks and to ensure stable tax rates; and, therefore, formally establishes this policy for the Town's Fund Balance. This policy also authorizes and directs the Finance Director to prepare financial reports which accurately categorize fund balance as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 16. GASB 54 FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS (continued)

Components of Fund Balance

Fund balance is the difference between the assets and liabilities reported in a governmental fund. The following five fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority; for all funds except the general fund, assigned fund balance is the residual fund balance classification;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

Committed Fund Balance Policy

The Town Council is the Town's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Town Council. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned Fund Balance Policy

The Town Council has authorized the Town's Finance Director as the official authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

Minimum Unassigned Fund Balance Policy

The Town does not maintain an unassigned fund balance policy.

Resource Flow Policy

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 17. Reconciliation of Government-Wide and Fund Financial Statements:

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position:

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The detail of this \$(8,524,214) difference for the primary government is as follows:

	<u>Primary Government</u>
General obligation bonds and loans payable	\$ (4,375,727)
Accrued interest	(33,122)
Net pensions are not due and payable in current period	(2,329,494)
Deferred pensions	(795,687)
OPEB liability	(383,804)
Compensated absences	<u>(606,380)</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities	<u><u>\$ (8,524,214)</u></u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "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 and reported as depreciation expense." The detail of this \$492,103 difference for the primary government is as follows:

	<u>Primary Government</u>
Capital Outlay	\$ 2,536,463
Depreciation Expense	<u>(729,946)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at changes in net position-governmental activities	<u><u>\$ 1,806,517</u></u>

**TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 17. Reconciliation of Government-Wide and Fund Financial Statements (continued)

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities: (continued)

Another element of that reconciliation states, "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." The detail of this \$(75,511) difference for the primary government is as follows:

	<u>Primary Government</u>
(Increase) Decrease in Compensated absences	\$ 8,385
(Increase) Decrease in OPEB liability	(66,473)
(Increase) Decrease in Accrued interest	<u>(17,423)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at changes in net position-governmental activities	<u><u>\$ (75,511)</u></u>

NOTE 18. Prior Period Adjustments to Net Position

There was a restatement of net position for the Governmental Activities for errors in accumulated depreciation and the recognition of the pension liability under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Net position - beginning	\$ 22,880,446
Restatement of net position to record error in debt and accumulated depreciation beginning balances	(65,396)
Restatement for the beginning pension liability	<u>(2,906,482)</u>
Net position - beginning as restated	<u><u>\$ 19,908,568</u></u>

There was a restatement of net position for the Business-type Activities for the recognition of the pension liability under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Net position - beginning	\$ 4,966,080
Restatement for the beginning pension liability	<u>(512,907)</u>
Net position - beginning as restated	<u><u>\$ 4,453,173</u></u>

REQUIRED SUPPLEMENTARY

INFORMATION

TOWN OF ABINGDON
STATEMENT OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2015

Fund, Major and Minor Revenue Source	Original and Final Budget	Actual	Exhibit C-1 Variance Favorable (Unfavorable)
General Fund			
Revenue from local sources:			
General property taxes:			
Real property taxes	\$ 2,026,000	\$ 2,000,651	\$ (25,349)
Real and personal public service corporation property taxes	72,000	65,100	(6,900)
Personal property taxes	432,000	479,752	47,752
Machinery and tools taxes	13,000	12,508	(492)
Penalties and interest	44,000	26,544	(17,456)
Total general property taxes	2,587,000	2,584,556	(2,444)
Other local taxes:			
Local sales and use taxes	520,000	462,489	(57,511)
Consumer utility taxes	90,000	83,537	(6,463)
Communications taxes	130,000	120,787	(9,213)
Business license taxes	925,000	911,656	(13,344)
Franchise license taxes	80,000	69,826	(10,174)
Motor vehicle licenses	115,000	118,203	3,203
Bank stock taxes	550,000	578,143	28,143
Cigarette taxes	100,000	100,875	875
Meals and lodging taxes	3,842,500	3,784,197	(58,303)
Total other local taxes	6,352,500	6,229,713	(122,787)
Permits, privilege fees and regulatory licenses	19,700	14,238	(5,462)
Fines and forfeitures	52,250	42,139	(10,111)
Revenue from use of money and prop.:			
Revenue from use of money	23,448	28,206	4,758
Revenue from use of property	5,000	13,550	8,550
Total revenue from use of money and property	28,448	41,756	13,308
Charges for services:			
Waste removal	350,000	369,912	19,912
Charge for parks and recreation	453,500	436,640	(16,860)
Total charges for services	803,500	806,552	3,052

TOWN OF ABINGDON
STATEMENT OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit C-1

Fund, Major and Minor Revenue Source	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
General Fund (continued)			
Revenue from local sources: (continued)			
Miscellaneous:			
Donations	\$ 610,000	\$ 15,342	\$ (594,658)
Unclassified	13,948	12,242	(1,706)
Total miscellaneous revenue	623,948	27,585	(1,706)
Recovered Costs:			
Other	200,693	216,060	15,367
Total recovered costs	200,693	216,060	15,367
Total revenue from local sources	10,668,039	9,962,599	(110,783)
Revenue from other Governments:			
Revenue from Washington County:			
Shared expenses	97,000	379,500	282,500
Total revenue from other governments	97,000	379,500	282,500
Revenue from the Commonwealth:			
Non-categorical aid:			
Rental tax	35,000	45,936	10,936
Mobile home titling tax	1,000	300	(700)
Rolling stock	10,000	10,199	199
Total non-categorical aid	46,000	56,435	10,435
Revenue from the Commonwealth:			
Categorical aid:			
Street and highway maintenance	1,500,000	1,523,423	23,423
VDOT Funds	1,055,000	696,721	(358,279)
VDOT - Urban Sidewalks	581,640	-	(581,640)
DJCP Grants for law enforcement	200,000	189,012	(10,988)
Asset Forfeiture Funds	1,000	213	(787)
Commission for the arts	5,000	750	(4,250)
Tobacco Settlement Funds	-	15,000	15,000
Fire Prevention	23,012	46,740	23,728
Emergency Management	-	116,897	116,897
Graphic Design	38,000	-	(38,000)
Rooted in Appalachia Grant	40,000	-	(40,000)
Conservation	10,000	32,412	22,412
Total categorical aid	3,603,652	2,621,168	(982,484)
Total revenue from the Commonwealth	3,649,652	2,677,603	(972,049)

**TOWN OF ABINGDON
STATEMENT OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2015**

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 the Federal Government:			
Categorical aid:			
Planning Grant	459,612	20,000	(439,612)
National Park Service Grant	5,000	-	(5,000)
FEMA Funds	10,000	119,442	109,442
Asset Forfeiture Funds	-	16,988	16,988
	<u>474,612</u>	<u>156,430</u>	<u>(318,182)</u>
Total revenue from the Federal Government	<u>474,612</u>	<u>156,430</u>	<u>(318,182)</u>
 Total General Fund	 <u>\$ 14,889,303</u>	 <u>\$ 13,176,131</u>	 <u>\$ (1,118,514)</u>

TOWN OF ABINGDON
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2015

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	\$ 34,372	\$ 34,056	\$ -
Fringe benefits	3,312	3,133	179
Contractual services	10,000	11,976	(1,976)
Other services	45,800	33,523	12,277
Total legislative	93,484	82,688	10,480
General and Financial Administration:			
Personal services	1,055,665	845,291	210,374
Fringe benefits	269,988	251,132	18,856
Contractual services	85,700	81,273	4,427
Other charges	162,800	152,781	10,019
Capital outlay	93,400	57,594	35,806
Total general and financial administration	1,667,553	1,388,071	279,482
Total general government administration	1,761,037	1,470,759	289,962
Public Safety:			
Police and Traffic Control:			
Personal services	1,204,979	1,223,955	(18,976)
Fringe benefits	487,364	494,484	(7,120)
Contractual services	33,000	24,149	8,851
Other charges	124,750	123,420	1,330
Capital outlay	186,000	202,289	(16,289)
Total police and traffic control	2,036,093	2,068,297	(32,204)
Fire and Rescue Service:			
Personal services	167,957	138,292	29,665
Fringe benefits	19,046	20,907	(1,861)
Contractual services	66,700	40,712	25,988
Other charges	85,500	97,259	(11,759)
Capital outlay	39,896	97,655	(57,759)
Total fire and rescue service	379,099	394,825	(15,726)
Bureau of Inspections:			
Personal services	96,331	99,953	(3,622)
Fringe benefits	42,050	42,832	(782)
Contractual services	1,000	612	388
Other charges	6,940	4,278	2,662
Capital outlay	-	-	-
Total Bureau of Inspection	146,321	147,675	(1,354)
Total Public Safety	2,561,513	2,610,797	(49,284)

TOWN OF ABINGDON
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit D-1

Funds, Function, Activity and Elements	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
General Fund: (continued)			
Public Works:			
Administration:			
Personal services	\$ 305,521	\$ 322,789	\$ (17,268)
Fringe benefits	95,255	88,724	6,531
Contractual services	3,500	1,792	1,708
Other charges	37,950	14,987	22,963
Capital outlay	7,800	(355)	8,155
Total Administration	<u>450,026</u>	<u>427,937</u>	<u>22,089</u>
Street and Lighting:			
Personal services	613,219	551,872	61,347
Fringe benefits	294,238	264,010	30,228
Contractual services	72,500	49,142	23,358
Other charges	296,350	299,210	(2,860)
Materials and supplies	370,000	362,009	7,991
Capital outlay	416,000	264,188	151,812
Total Streets and Lighting	<u>2,062,307</u>	<u>1,790,431</u>	<u>271,876</u>
Maintenance of Buildings & Grounds:			
Personal services	294,638	259,078	35,560
Fringe benefits	94,030	113,924	(19,894)
Contractual services	9,300	3,599	5,701
Other charges	810,720	368,480	442,240
Capital outlay	83,800	95,106	(11,306)
Total Maintenance of Bldgs. and Grounds	<u>1,292,488</u>	<u>840,187</u>	<u>452,301</u>
Waste Disposal:			
Personal services	101,769	97,146	4,623
Fringe benefits	45,398	47,073	(1,675)
Contractual services	212,800	189,038	23,762
Other charges	30,600	70,857	(40,257)
Capital outlay	5,000	5,000	-
Total Waste Disposal	<u>395,567</u>	<u>409,113</u>	<u>(13,546)</u>
Total Public Works	<u>4,200,388</u>	<u>3,467,668</u>	<u>732,720</u>
Health and Welfare:			
Contractual services	5,350	6,857	(1,507)
Tax exemption for the elderly	-	-	-
Total Health and Welfare	<u>5,350</u>	<u>6,857</u>	<u>(1,507)</u>
Parks and Recreation:			
Personal services	1,142,081	1,226,840	(84,759)
Fringe benefits	482,384	466,326	16,058
Contractual services	66,000	61,642	4,358
Other charges	843,276	460,045	383,231
Capital outlay	132,300	210,811	(78,511)
Total Parks and Recreation	<u>2,666,041</u>	<u>2,425,665</u>	<u>240,376</u>

TOWN OF ABINGDON
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2015

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)			
Cultural:			
Cemeteries:			
Other charges	\$ 1,900	\$ 406	\$ 1,494
Capital outlay	-	-	-
Total Cemeteries	<u>1,900</u>	<u>406</u>	<u>1,494</u>
Total Parks and Rec. & Cultural	<u>2,853,539</u>	<u>2,291,793</u>	<u>561,746</u>
Community Development:			
Personal services	601,719	561,701	40,018
Fringe benefits	193,508	176,781	16,727
Contractual services	119,000	219,835	(100,835)
Other charges	405,680	352,710	52,970
Donations/Appropriations	884,770	735,073	149,697
Capital outlay	<u>60,000</u>	<u>53,151</u>	<u>6,849</u>
Total Community Development	<u>2,264,677</u>	<u>2,099,251</u>	<u>165,426</u>
Reserve for Contingencies:			
Other charges	<u>245,506</u>	<u>258,509</u>	<u>(13,003)</u>
Total Reserve for Contingencies	<u>245,506</u>	<u>258,509</u>	<u>(13,003)</u>
Debt Service:			
Principal retirement	660,662	469,317	191,345
Interest and fiscal charges	<u>-</u>	<u>98,819</u>	<u>(98,819)</u>
Total Debt Service	<u>660,662</u>	<u>568,136</u>	<u>92,526</u>
Capital Projects:			
Land improvements	-	-	-
Buildings	<u>1,774,058</u>	<u>1,824,652</u>	<u>(50,594)</u>
Total Capital Projects	<u>1,774,058</u>	<u>1,824,652</u>	<u>(50,594)</u>
Total General Fund	<u>\$ 16,639,303</u>	<u>\$ 15,461,794</u>	<u>\$ 1,176,478</u>

**TOWN OF ABINGDON
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2015**

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%
June 30, 2010	11,340,009	14,274,875	2,934,866	79.44%	4,630,371	63.38%
June 30, 2011	11,796,399	15,720,234	3,923,835	75.04%	4,725,709	83.03%
June 30, 2012	11,956,693	16,640,740	4,684,047	71.85%	5,101,601	91.82%
June 30, 2013	12,646,872	17,205,836	4,558,964	71.85%	5,321,773	85.67%
June 30, 2014	14,169,888	17,274,312	3,104,424	82.03%	5,207,804	59.61%

**TOWN OF ABINGDON, VIRGINIA
SCHEDULE OF CHANGES IN
NET PENSION LIABILITY AND RELATED RATIOS**

Exhibit F -1

	<u>2014</u>
Total pension liability	
Service cost	\$ 496,315
Interest	1,178,764
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit Payments, including refunds of employee contributions	(732,689)
Net change in total pension liability	<u>942,390</u>
Total pension liability - beginning	<u>17,205,836</u>
Total pension liability - ending (a)	<u><u>\$ 18,148,226</u></u>
 Plan fiduciary net position	
Contributions - employer	\$ 484,889
Contributions - employee	263,590
Net investment income	2,101,401
Benefit Payments, including refunds of employee contributions	(732,689)
Administrative expense	(11,213)
Other	110
Net change in plan fiduciary net position	<u>2,106,088</u>
Plan fiduciary net position - beginning	<u>13,301,557</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 15,407,645</u></u>
 Political subdivision's net pension liability - ending (a) - (b)	<u><u>\$ 2,740,581</u></u>
 Plan fiduciary net position as a percentage of the total Pension liability	 84.90%
 Covered-employee payroll	 \$ 5,207,804
 Political subdivision's net pension liability as a percentage of covered-employee payroll	 52.62%

**TOWN OF ABINGDON, VIRGINIA
SCHEDULE OF CHANGES IN
NET PENSION LIABILITY AND RELATED RATIOS**

**Exhibit F -1
Continued**

**Schedule of Employer Contributions
For the Year Ended June 30, 2015**

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as of % of Covered Employee Payroll (5)
2015	\$ 437,062	\$ 437,062	\$ -	\$ 5,190,755	8.42%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available

NOTES TO SCHEDULE:

Changes of benefit terms – There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

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

Largest 10 – Non-LEOS:

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

**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, 2015

	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	\$ 16,316	\$ 86	\$ 363,967	\$ 325,733	\$ 14,500	\$ 27,332	\$ 747,934
Receivables:							
Accrued interest	-	-	252	-	4	13	269
Due from other funds	-	-	250,000	-	-	-	250,000
Due from other governmental units	-	63,935	-	-	-	-	63,935
Total Assets	\$ 16,316	\$ 64,021	\$ 614,219	\$ 325,733	\$ 14,504	\$ 27,345	\$ 1,062,138
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-	14,730	14,730
Due to other funds	69,203	64,036	-	-	718	1,097	135,054
Total Liabilities	69,203	64,036	-	-	718	15,827	149,784
Fund balances (deficits):							
Unreserved:							
Undesignated	(52,887)	(15)	614,219	325,733	13,786	11,518	912,354
Total Fund Balances	(52,887)	(15)	614,219	325,733	13,786	11,518	912,354
Total Liabilities and Fund Balances	\$ 16,316	\$ 64,021	\$ 614,219	\$ 325,733	\$ 14,504	\$ 27,345	\$ 1,062,138

TOWN OF ABINGDON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>Special Revenue Funds</u>			<u>Capital Projects</u>		<u>Permanent Fund</u>	<u>Total Non-major Governmental Funds</u>
	<u>Electronic Village</u>	<u>Kings Mountain</u>	<u>Sewer Improvement Fund</u>	<u>Capital Reserve Fund</u>	<u>Rehabilitation Fund</u>	<u>Cemetery Fund</u>	
Revenues:							
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues from the use of money and property	-	-	658	409	-	117	1,184
Charges for services	14,390	-	-	-	-	-	14,390
Miscellaneous	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
 Total revenues	<u>14,390</u>	<u>-</u>	<u>658</u>	<u>409</u>	<u>-</u>	<u>117</u>	<u>15,574</u>
Expenditures:							
Current:							
Community development	-	-	-	-	15	-	15
Capital projects	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15</u>	<u>-</u>	<u>15</u>
 Excess (deficiency) of revenues over expenditures	<u>14,390</u>	<u>-</u>	<u>658</u>	<u>409</u>	<u>(15)</u>	<u>117</u>	<u>15,559</u>
Other financing sources (uses):							
Operating transfers in	-	-	-	-	-	-	-
Operating transfers out	-	-	-	(314,954)	-	-	(314,954)
 Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(314,954)</u>	<u>-</u>	<u>-</u>	<u>(314,954)</u>
 Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>14,390</u>	<u>-</u>	<u>658</u>	<u>(314,545)</u>	<u>(15)</u>	<u>117</u>	<u>(299,395)</u>
 Fund balances - beginning	<u>(67,277)</u>	<u>(15)</u>	<u>613,561</u>	<u>640,278</u>	<u>13,801</u>	<u>11,401</u>	<u>1,211,749</u>
 Fund balances - ending	<u>\$ (52,887)</u>	<u>\$ (15)</u>	<u>\$ 614,219</u>	<u>\$ 325,733</u>	<u>\$ 13,786</u>	<u>\$ 11,518</u>	<u>\$ 912,354</u>

STATISTICAL SECTION (UNAUDITED)

**TOWN OF ABINGDON
GENERAL GOVERNMENT REVENUES BY FUNCTION
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
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
2011	2,529,150	6,100,700	20,758	31,152	103,815	693,012	72,231	185,370	2,142,495	11,878,683
2012	2,517,084	6,190,262	13,684	49,097	56,542	829,032	220,084	245,431	2,347,164	12,468,380
2013	2,582,994	5,626,683	37,762	71,766	47,688	789,613	60,169	309,939	2,016,788	11,543,402
2014	2,591,889	5,890,975	21,725	51,611	41,808	823,803	150,083	180,175	2,039,274	11,791,343
2015	2,584,556	6,229,713	14,238	42,139	42,940	820,942	27,858	216,060	3,213,533	13,191,979

**TOWN OF ABINGDON
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS**

TABLE 2

<u>Fiscal Year Ending</u>	<u>General Government Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Welfare</u>	<u>Parks Recreation and Culture</u>	<u>Community Development</u>	<u>Non- Departmental</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
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
2011	1,480,612	2,283,745	3,564,703	2,856	2,363,492	138,672	1,950,407	2,830,875	87,599	14,702,961
2012	1,687,563	2,483,125	3,257,329	3,426	2,305,565	172,395	2,370,336	566,761	298,925	13,145,425
2013	1,652,003	2,497,255	3,677,910	5,833	2,298,874	2,572,550	238,884	519,849	604,659	14,067,817
2014	1,470,759	2,610,797	3,467,668	6,857	2,412,472	2,727,492	152,443	453,073	1,756,694	15,058,255
2015	1,592,285	3,253,764	3,567,118	6,285	2,291,793	2,099,266	258,509	568,136	1,824,652	15,461,808

**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
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
2011	0.28	711,246,000	1,062,490	22,448,202	734,756,692
	0.55	-	92,449,693	406,945	92,856,638
2012	0.28	715,761,300	1,021,085	22,196,195	738,978,580
	0.55	-	82,036,905	424,726	82,461,631
2013	0.28	727,851,320	818,381	22,196,429	750,866,130
	0.55	-	83,025,635	424,726	83,450,361
2014	0.28	734,838,050	810,190	23,201,748	758,849,988
	0.55	-	83,957,974	15,008	83,972,982
2015	0.28	743,196,200	824,487	23,163,478	767,184,165
	0.55	-	93,673,085	88,963	93,762,048

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

TABLE 4

Fiscal Year Ending	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Collections	Percent of Total Tax Collections to Tax Levy	Percent of Delinquent Taxes to Tax Levy
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%
2011	2,577,988	2,338,280	90.7%	190,870	2,529,150	98.1%	7.40%
2012	2,508,632	2,348,521	93.6%	96,210	2,444,731	97.5%	3.84%
2013	2,616,745	2,416,378	92.3%	107,190	2,523,568	96.4%	4.10%
2014	2,790,613	2,583,283	92.6%	115,400	2,698,683	96.7%	4.14%
2015	2,754,504	2,662,560	96.7%	69,757	2,732,317	99.2%	2.53%

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			
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	-	10,057,872	7,302,091	0.9782%	939
2010	7,780	748,298,167	16,439,516	-	9,136,175	7,303,341	0.9760%	939
2011	7,780	813,486,142	13,256,767	-	11,273,767	1,983,000	0.2438%	255
2012	8,191	821,440,211	12,155,480	-	10,506,480	1,649,000	0.2007%	201
2013	8,191	833,327,761	11,059,853	-	9,760,853	1,299,000	0.1559%	159
2014	8,191	842,822,970	14,529,307	-	10,808,031	3,721,276	0.4415%	454
2015	8,191	860,946,213	13,414,342	-	9,935,052	3,479,290	0.4041%	425

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

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

TOWN OF ABINGDON, VIRGINIA
PRINCIPAL TAXPAYERS (1)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

TABLE 6

Company	2013-2014 Assessed Value	Rank	2014-2015 Assessed Value	Rank	% of Total (2)
K-VA-T FOOD STORES INC	\$ 5,786,400	3	\$ 18,504,600	1	27.57%
DMD LLC	11,451,000	1	11,451,000	2	17.06%
LARAMIE ABINGDON LTD PTNRSHIP	8,494,400	2	8,494,400	3	12.66%
BUCKHEAD ABINGDON INC	5,096,100	4	5,096,100	4	7.59%
ABINGDON PROFESSIONAL CENTRE LLC	4,632,100	5	4,632,100	5	6.90%
FRIZZELL BEN M JR	4,188,300	6	4,188,300	6	6.24%
HARGROVES ANDREW J	4,048,200	7	4,048,200	7	6.03%
DOUBLE K PROPERTIES LLC	3,666,000	8	3,666,000	8	5.46%
LIGHT MILLING COMPANY	3,522,500	9	3,522,500	9	5.25%
SOUTHERN HOSPITALLY	3,504,700	10	3,504,700	10	5.22%
Total	\$ 54,389,700		\$ 67,107,900		100.00%

(1) Rankings based on total property assessed from real estate levy book

(2) Total includes real estate, personal property, machinery and tools

COMPLIANCE

SECTION



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**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, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Town of Abingdon, Virginia as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Abingdon, Virginia'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 of Abingdon, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Abingdon, Virginia's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Bostic, Tucker and Company PC

Lebanon, Virginia
January 15, 2016

**TOWN OF ABINGDON, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

**Section I - Summary of Auditor Results
Financial Statements**

Type of auditor's opinion issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies in internal control were disclosed by the audit of the financial statements:	No
Noncompliance material to financial statements noted?	No

Current Year Findings and Questioned Costs

None reported

Resolution of Prior Year Findings

Findings 2014-1 and 2014-2 have been appropriately addressed by management