

**TOWN OF ABINGDON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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, 2013, 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, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 35-38 and the schedule of funding progress on page 40 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 December 2, 2013, 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
December 2, 2013

BASIC FINANCIAL

STATEMENTS

**TOWN OF ABINGDON, VIRGINIA
STATEMENT OF NET POSITION
JUNE 30, 2013**

Exhibit 1

| | <u>Primary Government</u> | | <u>Total Reporting Entity</u> |
|----------------------------------|------------------------------------|-------------------------------------|---------------------------------------|
| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | |
| Assets | | | |
| Cash and cash equivalents | \$ 9,106,449 | \$ 3,055,218 | \$ 12,161,667 |
| Receivables, net | 20,920 | 697,489 | 718,409 |
| Taxes receivable, net | 1,611,675 | - | 1,611,675 |
| Due from other governments | 100,389 | - | 100,389 |
| Internal balances | 848,382 | (848,382) | - |
| Inventories | 1,500 | - | 1,500 |
| Capital assets, net | 18,358,509 | 13,746,299 | 32,104,808 |
| | <u>18,358,509</u> | <u>13,746,299</u> | <u>32,104,808</u> |
| Total assets and other debits | <u>\$ 30,047,824</u> | <u>\$ 16,650,624</u> | <u>\$ 46,698,448</u> |
| Liabilities | | | |
| Accounts payable | \$ 134,393 | \$ 138,000 | \$ 272,393 |
| Accrued liabilities | 1,801,226 | 245,288 | 2,046,514 |
| Accrued interest payable | 8,305 | 1,786 | 10,091 |
| Deposits and advances | - | 277,408 | 277,408 |
| Noncurrent liabilities: | | | |
| Due within one year | 214,577 | 807,189 | 1,021,766 |
| Due in more than one year | 1,912,554 | 10,688,343 | 12,600,897 |
| | <u>1,912,554</u> | <u>10,688,343</u> | <u>12,600,897</u> |
| Total liabilities | <u>4,071,055</u> | <u>12,158,014</u> | <u>16,229,069</u> |
| Net Position | | | |
| Net Investment in capital assets | 16,231,378 | 2,250,767 | 18,482,145 |
| Unrestricted (deficit) | 9,745,391 | 2,241,843 | 11,987,233 |
| | <u>9,745,391</u> | <u>2,241,843</u> | <u>11,987,233</u> |
| Total net assets | <u>\$ 25,976,769</u> | <u>\$ 4,492,610</u> | <u>\$ 30,469,379</u> |

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, 2013

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 | \$ 1,648,931 | \$ - | \$ - | \$ - | \$ (1,648,931) | \$ - | \$ (1,648,931) |
| Public safety | 2,736,487 | - | 292,996 | 192,505 | (2,250,986) | - | (2,250,986) |
| Public works | 3,841,342 | 353,943 | 1,440,262 | 25,748 | (2,021,389) | - | (2,021,389) |
| Health and welfare | 5,833 | - | - | - | (5,833) | - | (5,833) |
| Non-departmental | 238,884 | - | - | - | (238,884) | - | (238,884) |
| Parks, recreation and cultural | 2,379,502 | 415,470 | 5,000 | - | (1,959,031) | - | (1,959,031) |
| Community development | 2,219,740 | 20,200 | - | - | (2,199,540) | - | (2,199,540) |
| Interest on long-term debt | 66,425 | - | - | - | (66,425) | - | (66,425) |
| Total government activities | 13,137,144 | 789,613 | 1,738,258 | 218,252 | (10,391,020) | - | (10,391,020) |
| Business-type activities: | | | | | | | |
| Sewer | 3,088,359 | 3,018,276 | - | - | - | (70,083) | (70,083) |
| Total business type-activities | 3,088,359 | 3,018,276 | - | - | - | (70,083) | (70,083) |
| Total primary government | \$ 16,225,503 | \$ 3,807,889 | \$ 1,738,258 | \$ 218,252 | (10,391,020) | (70,083) | (10,461,103) |
| General Revenues: | | | | | | | |
| Taxes | | | | | 8,232,362 | - | 8,232,362 |
| Grants and contributions not restricted to specific programs | | | | | 60,278 | - | 60,278 |
| Investment and investment earnings | | | | | 47,688 | 7,868 | 55,556 |
| License and permits | | | | | 37,762 | - | 37,762 |
| Fines | | | | | 71,766 | - | 71,766 |
| Miscellaneous | | | | | 370,108 | - | 370,108 |
| Transfers | | | | | - | - | - |
| Total general revenues, special item and transfers | | | | | 8,819,964 | 7,868 | 8,827,832 |
| Change in net position | | | | | (1,571,056) | (62,215) | (1,633,271) |
| Net position beginning, as restated | | | | | 27,547,824 | 4,554,825 | 32,102,649 |
| Net position ending | | | | | \$ 25,976,769 | \$ 4,492,610 | \$ 30,469,378 |

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

TOWN OF ABINGDON, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

Exhibit A-1

| <u>Assets</u> | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|---|---|
| Cash and cash equivalents | \$ 7,928,275 | \$ 1,178,174 | \$ 9,106,449 |
| Accrued interest receivable | 3,654 | 634 | 4,288 |
| Receivables (Net of allowance for uncollectibles): | | | |
| Taxes | 1,611,675 | - | 1,611,675 |
| Accounts | 16,631 | - | 16,631 |
| Due from other government units | 36,454 | 63,935 | 100,389 |
| Due from other Town funds | 836,190 | 250,730 | 1,086,920 |
| Gasoline inventory | 1,500 | - | 1,500 |
| Total assets | \$ 10,434,380 | \$ 1,493,473 | \$ 11,927,853 |
| <u>Liabilities</u> | | | |
| Accounts payable | \$ 118,565 | \$ 15,828 | \$ 134,393 |
| Accrued liabilities | 237,564 | - | 237,564 |
| Deferred revenue | 1,244,048 | - | 1,244,048 |
| Due to other Town funds | 2,368 | 236,168 | 238,536 |
| Total liabilities | 1,602,545 | 251,996 | 1,854,541 |
| <u>Fund Equity</u> | | | |
| Fund balance: | | | |
| Nonspendable | | | |
| Inventory | 1,500 | - | 1,500 |
| Restricted for: | | | |
| Electronic Village | - | (37,112) | (37,112) |
| Kings Mountain | - | (15) | (15) |
| Sewer Improvement | - | 612,655 | 612,655 |
| Capital Reserve | - | 639,518 | 639,518 |
| Rehabilitation | - | 15,242 | 15,242 |
| Cemetery | - | 11,189 | 11,189 |
| Unassigned | 8,830,335 | - | 8,830,335 |
| Total fund equity | 8,831,835 | 1,241,477 | 10,073,312 |
| Total liabilities and fund equity | \$ 10,434,380 | \$ 1,493,473 | \$ 11,927,853 |

Total fund balances per Balance Sheet for Governmental Funds \$ 10,073,312

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. 221,896

Capital assets used in government activities are not financial resources and therefore not reported in the funds. The Statement of Net Assets, however, includes net assets, net of accumulated depreciation. 18,358,509

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. (2,676,948)

Net Position of governmental activities **\$ 25,976,769**

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

TOWN OF ABINGDON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

Exhibit A-2

| | General | Other Governmental Funds | Totals (Memo Only) |
|--|----------------------------|--------------------------------|-----------------------------|
| Revenues: | | | |
| General property taxes | \$ 2,582,994 | \$ - | \$ 2,582,994 |
| Other local taxes | 5,626,683 | - | 5,626,683 |
| Permits, privilege fees and regulatory licenses | 37,762 | - | 37,762 |
| Fines and forfeitures | 71,766 | - | 71,766 |
| Revenues from use of money and property | 45,591 | 2,097 | 47,688 |
| Charges for services | 769,413 | 20,200 | 789,613 |
| Miscellaneous | 60,169 | - | 60,169 |
| Recovered costs | 309,939 | - | 309,939 |
| Intergovernmental | <u>2,016,788</u> | <u>-</u> | <u>2,016,788</u> |
| Total revenues | <u>11,521,105</u> | <u>22,297</u> | <u>11,543,402</u> |
| Expenditures: | | | |
| Current: | | | |
| General government administration | 1,652,003 | - | 1,652,003 |
| Public safety | 2,497,255 | - | 2,497,255 |
| Public works | 3,677,910 | - | 3,677,910 |
| Health and welfare | 5,833 | - | 5,833 |
| Parks, recreation, and cultural | 2,298,874 | - | 2,298,874 |
| Contingencies | 238,884 | - | 238,884 |
| Community development | 2,528,161 | 44,389 | 2,572,550 |
| Debt service | 519,849 | - | 519,849 |
| Capital projects | <u>604,659</u> | <u>-</u> | <u>604,659</u> |
| Total expenditures | <u>14,023,427</u> | <u>44,389</u> | <u>14,067,816</u> |
| Excess (deficiency) of revenues over expenditures | <u>(2,502,322)</u> | <u>(22,092)</u> | <u>(2,524,414)</u> |
| Other financing sources (uses): | | | |
| Proceeds from sale of assets/property | - | - | - |
| Issuance of long-term debt | 210,000 | - | 210,000 |
| Operating transfers in (out) | <u>194,460</u> | <u>(194,460)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>404,460</u> | <u>(194,460)</u> | <u>210,000</u> |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | (2,097,863) | (216,552) | (2,314,415) |
| Fund balances, July 1, 2012, as adjusted | <u>10,929,697</u> | <u>1,458,029</u> | <u>12,387,726</u> |
| Fund balances, June 30, 2013 | <u>\$ 8,831,835</u> | <u>\$ 1,241,477</u> | <u>\$ 10,073,312</u> |

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

TOWN OF ABINGDON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit A-3

Net change in fund balances - total government funds \$ (2,314,415)

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 | \$ 221,896 | |
| Subtract last year's deferred property tax revenue | <u>(199,210)</u> | |
| | | 22,686 |

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

| | | |
|---|------------------|---------|
| Add capital acquisitions (net of disposals) | 1,204,352 | |
| Subtract depreciation | <u>(712,249)</u> | |
| | | 492,103 |

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

| | | |
|------------------------|------------------|---------|
| Add debt repayment | 451,605 | |
| Subtract debt proceeds | <u>(210,000)</u> | |
| | | 241,605 |

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).

(13,035)

| | |
|---|-----------------------|
| Change in Net Position of Governmental Activities | <u>\$ (1,571,056)</u> |
|---|-----------------------|

TOWN OF ABINGDON
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit A-4

| | Original and Final Budget | Actual | Positive (Negative) Variance |
|---|---------------------------------|---------------------|------------------------------------|
| Revenues: | | | |
| General property taxes | \$ 2,519,300 | \$ 2,582,994 | \$ 63,693 |
| Other local taxes | 6,306,000 | 5,626,683 | (679,317) |
| Permits, privilege fees and regulatory licenses | 16,200 | 37,762 | 21,562 |
| Fines and forfeitures | 37,250 | 71,766 | 34,516 |
| Revenues from use of money and property | 40,088 | 45,591 | 5,503 |
| Charges for services | 807,000 | 769,413 | (37,587) |
| Miscellaneous | 21,950 | 60,169 | 38,219 |
| Recovered costs | 326,418 | 309,939 | (16,479) |
| Intergovernmental | 3,252,141 | 2,016,788 | (1,235,353) |
| | <u>13,326,347</u> | <u>11,521,105</u> | <u>(1,805,242)</u> |
| Total revenues | | | |
| | <u>13,326,347</u> | <u>11,521,105</u> | <u>(1,805,242)</u> |
| Expenditures: | | | |
| General government administration | 1,908,172 | 1,652,003 | 256,169 |
| Public safety | 2,419,375 | 2,497,255 | (77,880) |
| Public works | 3,660,570 | 3,677,910 | (17,340) |
| Health and welfare | 5,350 | 5,833 | (483) |
| Parks, recreation, and cultural | 2,718,724 | 2,298,874 | 419,850 |
| Non-departmental | - | - | - |
| Community development | 3,533,757 | 2,528,161 | 1,005,596 |
| Contingencies | 232,261 | 238,884 | (6,623) |
| Debt service | 412,638 | 519,849 | (107,211) |
| Capital Projects | 175,500 | 604,659 | (429,159) |
| | <u>15,066,347</u> | <u>14,023,427</u> | <u>1,042,920</u> |
| Total expenditures | | | |
| | <u>15,066,347</u> | <u>14,023,427</u> | <u>1,042,920</u> |
| Excess (deficiency) of revenues over expenditures | <u>(1,740,000)</u> | <u>(2,502,322)</u> | <u>(762,322)</u> |
| Other financing sources (uses): | | | |
| Proceeds from sale of assets/property | - | - | - |
| Issuance of long-term debt | - | 210,000 | 210,000 |
| Operating transfers in | 1,740,000 | 194,461 | (1,545,539) |
| Operating transfers out | - | - | - |
| | <u>1,740,000</u> | <u>404,461</u> | <u>(1,335,539)</u> |
| Total other financing sources (uses) | | | |
| | <u>1,740,000</u> | <u>404,461</u> | <u>(1,335,539)</u> |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | - | (2,097,862) | (2,097,862) |
| Fund balances, July 1, 2012, as adjusted | - | 10,929,697 | 10,929,697 |
| Fund balances, June 30, 2013 | <u>\$ -</u> | <u>\$ 8,831,836</u> | <u>\$ 8,831,836</u> |

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

TOWN OF ABINGDON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

Exhibit B-1

| | <u>Business-type Activities</u> |
|--|---------------------------------|
| | <u>Sewer</u> |
| Assets | |
| Cash and cash equivalents | \$ 3,055,218 |
| Receivables (net of allowances for uncollectibles) | 696,122 |
| Accrued interest receivable | 1,367 |
| Capital assets, net | <u>13,746,299</u> |
| Total assets and other debits | <u>\$ 17,499,006</u> |
| Liabilities | |
| Accounts payable | \$ 138,000 |
| Accrued liabilities | 40,852 |
| Accrued interest payable | 1,786 |
| Due to other funds | 848,382 |
| Claims, judgements, and compensated absences | 204,436 |
| Deposits and advances | 277,408 |
| Noncurrent liabilities: | |
| Due within one year | 807,189 |
| Due in more than one year | <u>10,688,343</u> |
| Total liabilities | <u>13,006,396</u> |
| Net Position | |
| Net Investment in capital assets | 2,250,767 |
| Unrestricted (deficit) | <u>2,241,843</u> |
| Total net position | <u>\$ 4,492,610</u> |

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

TOWN OF ABINGDON
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit B-2

| | <u>Business-type Activity</u> |
|--|-------------------------------|
| | Proprietary Fund |
| | Enterprise |
| | <u>Enterprise</u> |
| Operating Revenues: | |
| Sewer service charges | \$ 2,951,308 |
| Solid waste collection charges | - |
| Sewer connection charges | 28,816 |
| | <u>2,980,124</u> |
| Total operating revenues | <u>2,980,124</u> |
| Operating expenses: | |
| Salaries and benefits | 1,402,353 |
| Contractual services | 138,609 |
| Repairs and maintenance | 180,708 |
| Materials and supplies | 139,782 |
| Utilities | 252,146 |
| Insurance | 18,986 |
| Depreciation | 832,075 |
| Other operating expenses | 62,633 |
| | <u>3,027,291</u> |
| Total operating expenses | <u>3,027,291</u> |
| Operating income (loss) | <u>(47,167)</u> |
| Nonoperating revenues (expenses): | |
| Interest revenue | 7,868 |
| Interest expense | (61,068) |
| Miscellaneous income | 38,152 |
| Washington County subsidy | - |
| | <u>(15,048)</u> |
| Net income before operating transfers | (62,215) |
| Net operating transfers in (out) | <u>-</u> |
| Net income (loss) | (62,215) |
| Net position - beginning | <u>4,554,825</u> |
| Net position - ending | <u><u>\$ 4,492,610</u></u> |

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

**TOWN OF ABINGDON
STATEMENT CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

Exhibit B-3

| | Business-type Activity: |
|---|----------------------------|
| | Proprietary Funds |
| | Enterprise |
| Cash flows from operating activities: | |
| Cash received from customers | \$ 2,942,020 |
| Cash payments to suppliers for goods and services | (701,495) |
| Cash payments to employees for services and benefits | (1,388,570) |
| | <u>851,955</u> |
| Net cash provided by operating activities | <u>851,955</u> |
| Cash flows for noncapital financing activities: | |
| Increase in customer deposits | 2,200 |
| Miscellaneous non-operating income | 38,152 |
| | <u>40,352</u> |
| Net cash provided by noncapital financing activities | <u>40,352</u> |
| Cash flows from capital and related financing activities: | |
| Acquisition & construction of capital assets | (2,054,329) |
| Net borrowings (repayments) of long-term debt | 988,049 |
| Interest paid on bonds | (61,247) |
| | <u>(1,127,527)</u> |
| Net cash provided by (used for) capital and related financing activities | <u>(1,127,527)</u> |
| Cash flows from investing activities: | |
| Transfers from other funds | 177,899 |
| Interest on investments | 7,864 |
| | <u>185,763</u> |
| Net cash provided by investing activities | <u>185,763</u> |
| Net increase in cash and cash equivalents | <u>(49,457)</u> |
| Cash and cash equivalents, June 30, 2012 | <u>3,104,675</u> |
| Cash and cash equivalents, June 30, 2013 | <u><u>\$ 3,055,218</u></u> |
| Reconciliation of operating income to net cash provided by (used for) operating activities: | |
| Operating income (loss) | \$ (47,167) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | |
| Depreciation | 832,075 |
| Changes in assets and liabilities: | |
| (Increase) decrease in accounts receivable | (38,105) |
| Increase (decrease) in accounts payable | 90,404 |
| Increase (decrease) in accrued liabilities | 965 |
| Increase (decrease) in unpaid compensated absences | 13,783 |
| | <u>851,955</u> |
| Net cash provided by operating activities | <u>\$ 851,955</u> |
| Other information: Interest paid during fiscal year | <u>\$ 66,421</u> |

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

NOTES TO FINANCIAL
STATEMENTS

TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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 assets or equity

Deposits and investments

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

Receivables and payables

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

**TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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

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

Inventory

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

Property taxes

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

Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data, and, in certain cases, specific account analysis. The allowance amounted to approximately \$192,324 at June 30, 2013 and is comprised of \$94,717 for property taxes and \$97,607 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
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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

D. Assets, liabilities, and net assets 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
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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

D. Assets, liabilities, and net assets 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 a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

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, 2013. 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 early implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. 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. The net equity reported in the financial statements was not charged as a result of implementing this Statement and no restatement of prior balances is required.

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.

**TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013, the following funds had deficit fund equity:

| | |
|------------------------------|-------|
| Kings Mountain/Taylor's Hill | \$ 15 |
|------------------------------|-------|

TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013:

| | Primary Government |
|----------------------------------|-----------------------|
| Commonwealth of Virginia | |
| Local Sales Tax | \$ 36,454 |
| Total Commonwealth of Virginia | <u>\$ 36,454</u> |
| Federal Government | |
| CDBG Funds | \$ 63,935 |
| Total Federal Government | <u>\$ 63,935</u> |
| Total Due From Other Governments | <u>\$ 100,389</u> |

NOTE 5. INTER-FUND OBLIGATIONS

| Fund | Receivable | Payable |
|------------------------|---------------------|---------------------|
| General | \$ 836,189 | \$ 2,368 |
| Sewer Fund | - | 848,382 |
| Kings Mountain | - | 64,035 |
| Electronic Village | - | 56,023 |
| Capital Projects | - | 116,110 |
| Sewer Improvement Fund | 250,000 | - |
| Rehabilitation Fund | 729 | - |
| | <u>\$ 1,086,918</u> | <u>\$ 1,086,918</u> |

**TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013:

| Governmental Activities | Amounts Payable at June 30, 2012 | Increases | Decreases | Amounts Payable at June 30, 2013 | Amounts Due Within One Year |
|--|---|-------------------|-------------------|---|--------------------------------|
| Bonds payable | \$ 1,649,000 | \$ - | \$ 350,000 | \$ 1,299,000 | \$ 98,000 |
| Leases Payable | 468,409 | 210,000 | 101,606 | 576,803 | 116,577 |
| Total Bonds and leases | <u>2,117,409</u> | <u>210,000</u> | <u>451,606</u> | <u>1,875,803</u> | <u>214,577</u> |
| Other liabilities: | | | | | |
| Other Post Employment Benefit Obligations | 188,400 | 71,028 | 8,100 | 251,328 | 8,100 |
| Claims, judgements, and compensated absences payable | 589,586 | | 48,075 | 541,511 | - |
| Total other liabilities | <u>777,986</u> | <u>71,028</u> | <u>56,175</u> | <u>792,839</u> | <u>-</u> |
| Total long-term liabilities | <u>\$ 2,895,395</u> | <u>\$ 281,028</u> | <u>\$ 507,781</u> | <u>\$ 2,668,642</u> | <u>\$ 214,577</u> |

| Business-type activities | Amounts Payable at July 1, 2012 | Increases | Decreases | Amounts Payable at June 30, 2013 | Amounts Due Within One Year |
|--|---------------------------------------|---------------------|-------------------|---|--------------------------------|
| Claims, judgements, and compensated absences payable | \$ 189,540 | \$ 14,898 | \$ - | \$ 204,438 | \$ - |
| Leases Payable | - | 297,600 | 60,213 | 237,387 | 56,287 |
| Bonds payable | <u>10,506,480</u> | <u>1,497,292</u> | <u>745,627</u> | <u>11,258,145</u> | <u>750,902</u> |
| Total long-term liabilities | <u>\$ 10,696,020</u> | <u>\$ 1,809,790</u> | <u>\$ 805,840</u> | <u>\$ 11,699,970</u> | <u>\$ 807,189</u> |

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TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 6. LONG-TERM DEBT - (continued)

B. General obligation bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities of the primary government. General obligation bonds are direct obligations and pledge the full faith and credit of the Town.

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

| Year Ending June 30 | General Obligation Bonds | | |
|------------------------|--------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2014 | \$ 98,000 | \$ 47,414 | \$ 145,414 |
| 2015 | 102,000 | 43,836 | 145,836 |
| 2016 | 105,000 | 40,114 | 145,114 |
| 2017 | 109,000 | 36,282 | 145,282 |
| 2018 | 113,000 | 32,302 | 145,302 |
| 2019-2023 | 632,000 | 96,468 | 728,468 |
| 2024-2028 | 140,000 | 5,110 | 145,110 |
| | <u>\$ 1,299,000</u> | <u>\$ 301,526</u> | <u>\$ 1,600,526</u> |

| General Obligation Bonds | Original Issue Amount | Interest Rates | Annual Principal Requirements | Total Outstanding |
|--------------------------------|-----------------------------|-------------------|-------------------------------------|----------------------|
| General Obligation Bonds | \$ 1,371,000 | 3.65 | \$23,000 to \$140,000 | \$ 1,299,000 |
| Total general obligation bonds | | | | <u>\$ 1,299,000</u> |

C. Revenue Bonds

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

| Primary Government Business-type activities | Original Issue Amount | Interest Rates | Annual Principal Requirements | Total Outstanding |
|--|--------------------------|-------------------|----------------------------------|----------------------|
| 2000 Revenue Bond, due 2019 | \$ 651,942 | 3.50% | \$ 36,089 | \$ 267,731 |
| 2004 Revenue Bond, due 2027 | 9,798,168 | 0% | 599,538 | 8,362,400 |
| 2009 Revenue Bond, due 2021 | 1,067,000 | 3.90% | 85,000 | 338,000 |
| 2009 Revenue Bond, due 2024 | 433,000 | 3.90% | 25,000 | 743,000 |
| 2011 Revenue Bond - amount drawn to date | | | | 1,544,003 |
| | | | | <u>\$ 11,255,134</u> |

**TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 6. LONG-TERM DEBT - (continued)

C. Revenue Bonds

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

| Year Ending June 30 | Revenue Bonds | | |
|--------------------------------|----------------------|-------------------|----------------------|
| | Principal | Interest | Total |
| 2014 | \$ 750,902 | \$ 51,206 | \$ 802,108 |
| 2015 | 757,221 | 45,440 | 802,661 |
| 2016 | 762,586 | 39,433 | 802,019 |
| 2017 | 769,000 | 33,222 | 802,222 |
| 2018 | 775,464 | 26,767 | 802,231 |
| 2019-2023 | 3,498,938 | 45,894 | 3,544,832 |
| 2024-2028 | 2,397,020 | 1,170 | 2,398,190 |
| Bond Proceeds drawn to date | 1,544,003 | - | 1,544,003 |
| | <u>\$ 11,255,134</u> | <u>\$ 243,132</u> | <u>\$ 11,498,266</u> |

D. Claims, Judgments, and Compensated Absences

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

In accordance with NCGA Statement 4 "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences," the Town has accrued the liability arising from outstanding claims and judgments and compensated absences. Town employees earn vacation leave at rates that range from 12 to 21 days per year depending on length of service and sick leave accumulates at the rate of one day per month. Up to 25% of accumulated sick leave time will be paid upon termination for employees with greater than five years of service. Accumulated vacation up to forty-two days is paid upon termination. The Town has outstanding accrued vacation and sick leave pay totaling \$745,948 in the Statement of Net Assets of the government - wide statements.

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.

TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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 |
|---|-------------|

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, 2013 is as follows:

| Fiscal Year Ending June 30 | Governmental Activities | Business Activities |
|---|----------------------------|--------------------------|
| 2014 | \$ 182,125 | \$ 64,690 |
| 2015 | 182,125 | 64,690 |
| 2016 | 148,239 | 64,690 |
| 2017 | 93,190 | 64,690 |
| Total minimum lease payments | 605,679 | 258,760 |
| Less amounts representing interest | <u>28,876</u> | <u>21,404</u> |
| Present value of net minimum lease payments | <u><u>\$ 576,803</u></u> | <u><u>\$ 237,356</u></u> |

TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 11. DEFINED BENEFITS PENSION PLAN

Plan Description

The Town contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System). All full-time, salaried permanent employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees—Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Plan (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP, or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 11. DEFINED BENEFITS PENSION PLAN (Continued)

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2013 was 6.76% of annual covered payroll.

Annual Pension Cost

For fiscal year 2013, the Town's annual pension cost of \$559,371 was equal to the Town's required and actual contributions. The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2010 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

| Three-Year Information for the Town | | | |
|-------------------------------------|---------------------------------|-------------------------------------|---------------------------|
| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
| June 30, 2011 | \$ 593,883 | 100.00% | 0.00% |
| June 30, 2012 | 559,371 | 100.00% | 0.00% |
| June 30, 2013 | 766,806 | 100.00% | 0.00% |

TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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 \$1,244,048 is comprised of the following:

A. Deferred Property Tax Revenue

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$1,240,887 at June 30, 2013.

B. Prepaid Property Taxes

Property taxes due subsequent to June 30, 2013 but paid in advance by the taxpayers totaled \$3,161 at June 30, 2013.

NOTE 13. NEW ACCOUNTING STANDARDS

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

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* amends the financial reporting elements previously classified as assets and liabilities to be consistent with the definitions of Concept Statement 4. This statement will be effective for periods beginning after December 15, 2012. The Town has decided to early implement GASB Statement No. 65 in conjunction with the implementation of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

GASB Statement No. 66, *Technical Corrections-2012--an amendment of GASB Statements No. 10 and No. 62* resolves conflicting guidance resulting from the issuance of recent pronouncements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

GASB Statement No. 67, *Financial Reporting for Pension Plans* amends GASB Statement No. 25. The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2013.

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

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The provisions of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013 and should be applied on a prospective basis.

TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 13. NEW ACCOUNTING STANDARDS

GASB Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees* establishes accounting and financial reporting for non-exchange transactions. The provisions of Statement No. 70 are effective for financial statements for reporting beginning after June 15, 2013.

Management has evaluated GASB Statement No. 65 and has elected to early implement the standard. Management has not yet evaluated the effects, if any, of adopting the other standards above, but does not expect them to be material.

NOTE 14. CAPITAL ASSETS

Primary Government:

Capital asset activity for the year ended June 30, 2013 was as follows:

| | Balance July 1, 2012 | Increases | Decreases | Balance June 30, 2013 |
|--|-----------------------------|--------------------------|--------------------|-----------------------------|
| Primary Government | | | | |
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land and land improvements | \$ 6,567,714 | \$ 219,461 | \$ - | \$ 6,787,175 |
| Total assets not being depreciated | <u>6,567,714</u> | <u>219,461</u> | <u>-</u> | <u>6,787,175</u> |
| Other capital assets: | | | | |
| Buildings and improvements | 11,099,170 | 383,583 | - | 11,482,753 |
| Infrastructure/improvements | 3,578,604 | 42,144 | - | 3,620,748 |
| Vehicles | 2,508,609 | 208,796 | - | 2,717,405 |
| Furniture and equipment | 906,646 | 350,368 | - | 1,257,014 |
| Total other capital assets at cost | <u>18,093,029</u> | <u>984,891</u> | <u>-</u> | <u>19,077,920</u> |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 3,494,782 | 294,996 | - | 3,789,778 |
| Infrastructure/improvements | 782,126 | 154,041 | - | 936,167 |
| Vehicles | 1,813,726 | 200,563 | - | 2,014,289 |
| Furniture and equipment | 703,412 | 62,649 | - | 766,061 |
| Total accumulated depreciation | <u>6,794,046</u> | <u>712,249</u> | <u>-</u> | <u>7,506,295</u> |
| Other capital assets, net | <u>11,298,983</u> | <u>272,642</u> | <u>-</u> | <u>11,571,625</u> |
| Governmental activities capital assets, net | <u><u>\$ 17,866,697</u></u> | <u><u>\$ 492,103</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 18,358,800</u></u> |

Depreciation expense was charged to the following functions:

| | |
|-----------------------|-------------------|
| General government | \$ 41,088 |
| Public safety | 217,297 |
| Public works | 212,826 |
| Parks and recreation | 141,579 |
| Community development | 99,459 |
| | <u>\$ 712,249</u> |

TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 14. CAPITAL ASSETS (continued)

Business-type activities

| | Balance July 1, 2012 | Increases | Decreases | Balance June 30, 2013 |
|--|-------------------------|---------------------|---------------|--------------------------|
| Primary Government | | | | |
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 25,010 | \$ - | \$ - | \$ 25,010 |
| Construction in progress | 131,724 | 1,619,149 | - | 1,750,873 |
| Total assets not being depreciated | <u>156,734</u> | <u>1,619,149</u> | <u>-</u> | <u>1,775,883</u> |
| Other capital assets: | | | | |
| Buildings and improvements | 6,692,380 | - | - | 6,692,380 |
| Distribution and collection lines | 21,112,526 | - | - | 21,112,526 |
| Vehicles | 750,157 | 346,996 | - | 1,097,153 |
| Furniture and equipment | 1,592,049 | 88,184 | 14,347 | 1,665,886 |
| Total other capital assets at cost | <u>30,147,112</u> | <u>435,180</u> | <u>14,347</u> | <u>30,567,945</u> |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 12,491,522 | 618,432 | - | 13,109,954 |
| Distribution and collection lines | 3,408,730 | 130,537 | - | 3,539,267 |
| Vehicles | 766,961 | 57,563 | - | 824,524 |
| Furniture and equipment | 1,112,588 | 69,649 | 14,347 | 1,167,890 |
| Total accumulated depreciation | <u>17,779,801</u> | <u>876,181</u> | <u>14,347</u> | <u>18,641,635</u> |
| Other capital assets, net | <u>12,367,311</u> | <u>(441,001)</u> | <u>-</u> | <u>11,926,310</u> |
| Business-type activities, net | <u>\$ 12,524,045</u> | <u>\$ 1,178,148</u> | <u>\$ -</u> | <u>\$ 13,702,193</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
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, the Town's annual OPEB cost of \$62,800 for governmental activities was equal to the Annual Required Contribution (ARC).

| | Governmental Activities |
|--|------------------------------------|
| Annual required contribution | \$ 71,028 |
| Interest on net OPEB obligation | - |
| Adjustment to annual required contribution | - |
| Annual OPEB cost | 71,028 |
| Contributions made | 8,100 |
| Increase in net OPEB obligation | 62,928 |
| Net OPEB obligation-beginning of year | 188,400 |
| Net OPEB obligation-end of year | <u>\$ 251,328</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.

| Fiscal Year Ending | Annual OPEB Cost | Cost Contributed | Net OPEB Obligation |
|-------------------------------|-----------------------------|-----------------------------|--------------------------------|
| June 30, 2010 | \$ 62,800 | 0% | \$ 62,800 |
| 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 |

TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 15. OTHER POST-EMPLOYMENT BENEFITS (continued)

Funding Status and Funding Progress

The funding status of the plan as of June 30, 2013 was as follows:

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| 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
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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 \$(2,676,948) difference for the primary government is as follows:

| | <u>Primary Government</u> |
|--|-------------------------------|
| General obligation bonds and loans payable | \$ (1,875,803) |
| Accrued interest | (8,305) |
| OPEB liability | (251,328) |
| Compensated absences | <u>(541,512)</u> |
| Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities | <u><u>\$ (2,676,948)</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 | \$ 1,204,352 |
| Depreciation Expense | <u>(712,249)</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>\$ 492,103</u></u> |

TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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 \$(13,035) difference for the primary government is as follows:

| | <u>Primary Government</u> |
|---|-------------------------------|
| (Increase) Decrease in Compensated absences | \$ 48,074 |
| (Increase) Decrease in OPEB liability | (62,928) |
| | <u>1,819</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>\$ (13,035)</u></u> |

NOTE 18. Prior Period Adjustments to Fund Balance and Net Position

Governmental Funds:

| | |
|--|-----------------------------|
| General Fund Balance– Amount previously reported June 30, 2013 | \$ 10,601,260 |
| To adjust for unrecorded loan proceeds and due from state | <u>328,437</u> |
| General Fund Balance as adjusted, June 30, 2013 | <u><u>\$ 10,929,697</u></u> |

Governmental Activities:

| | |
|---|-----------------------------|
| Net Position - Amount previously reported June 30, 2013 | \$ 27,219,387 |
| To adjust for unrecorded loan proceeds and due from state | <u>328,437</u> |
| Net Position - as adjusted, June 30, 2013 | <u><u>\$ 27,547,824</u></u> |

REQUIRED SUPPLEMENTARY

INFORMATION

TOWN OF ABINGDON
STATEMENT OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit C-1

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|--|---------------|---|
| General Fund | | | |
| Revenue from local sources: | | | |
| General property taxes: | | | |
| Real property taxes | \$ 1,980,000 | \$ 2,032,680 | \$ 52,680 |
| Real and personal public service corporation property taxes | 64,000 | 65,602 | 1,602 |
| Personal property taxes | 429,300 | 427,530 | (1,770) |
| Machinery and tools taxes | 13,000 | 7,191 | (5,809) |
| Penalties and interest | 33,000 | 49,990 | 16,990 |
| Total general property taxes | 2,519,300 | 2,582,994 | 63,693 |
| Other local taxes: | | | |
| Local sales and use taxes | 540,000 | 438,788 | (101,212) |
| Consumer utility taxes | 85,000 | 89,763 | 4,763 |
| Communications taxes | 130,000 | 126,251 | (3,749) |
| Business license taxes | 926,000 | 904,728 | (21,272) |
| Franchise license taxes | 75,000 | 83,108 | 8,108 |
| Motor vehicle licenses | 115,000 | 132,436 | 17,436 |
| Bank stock taxes | 550,000 | 460,810 | (89,190) |
| Cigarette taxes | 125,000 | 105,023 | (19,977) |
| Meals and lodging taxes | 3,760,000 | 3,285,775 | (474,225) |
| Total other local taxes | 6,306,000 | 5,626,683 | (679,317) |
| Permits, privilege fees and regulatory licenses | 16,200 | 37,762 | 21,562 |
| Fines and forfeitures | 37,250 | 71,766 | 34,516 |
| Revenue from use of money and prop.: | | | |
| Revenue from use of money | 34,088 | 40,308 | 6,220 |
| Revenue from use of property | 6,000 | 5,283 | (717) |
| Total revenue from use of money and property | 40,088 | 45,591 | 5,503 |
| Charges for services: | | | |
| Waste removal | 350,000 | 353,943 | 3,943 |
| Charge for parks and recreation | 457,000 | 415,470 | (41,530) |
| Total charges for services | 807,000 | 769,413 | (37,587) |

TOWN OF ABINGDON
STATEMENT OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit C-1

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|--|---------------|---|
| General Fund (continued) | | | |
| Revenue from local sources: (continued) | | | |
| Miscellaneous: | | | |
| Donations | \$ - | \$ 22,268 | \$ 22,268 |
| Unclassified | 21,950 | 37,901 | 15,951 |
| Total miscellaneous revenue | 21,950 | 60,169 | 15,951 |
| Recovered Costs: | | | |
| Other | 326,418 | 309,939 | (16,479) |
| Total recovered costs | 326,418 | 309,939 | (16,479) |
| Total revenue from local sources | 10,074,206 | 9,504,317 | (592,158) |
| Revenue from other Governments: | | | |
| Revenue from Washington County: | | | |
| Shared expenses | 98,550 | 100,000 | 1,450 |
| Total revenue from other governments | 98,550 | 100,000 | 1,450 |
| Revenue from the Commonwealth: | | | |
| Non-categorical aid: | | | |
| Rental tax | 42,000 | 49,178 | 7,178 |
| Mobile home titling tax | 500 | 940 | 440 |
| Rolling stock | 9,500 | 10,159 | 659 |
| Total non-categorical aid | 52,000 | 60,278 | 8,278 |
| Revenue from the Commonwealth: | | | |
| Categorical aid: | | | |
| Street and highway maintenance | 1,413,304 | 1,440,262 | 26,958 |
| VDOT Funds | 850,000 | 25,748 | (824,252) |
| VDOT Funds - Depot | - | 192,505 | 192,505 |
| DJCP Grants for law enforcement | 189,012 | 189,012 | - |
| Asset Forfeiture Funds | - | 890 | 890 |
| Commission for the arts | 1,275 | 5,000 | 3,725 |
| Fire Prevention | 21,000 | 3,094 | 17,906 |
| Conservation | - | - | - |
| Total categorical aid | 2,474,591 | 1,856,511 | (582,268) |
| Total revenue from the Commonwealth | 2,526,591 | 1,916,788 | (573,991) |
| Revenue from the Federal Government: | | | |
| Categorical aid: | | | |
| Highway Planning | 375,000 | - | (375,000) |
| FEMA Funds | 252,000 | - | (252,000) |
| National Park Service | - | - | - |
| Total revenue from the Federal Government | 627,000 | - | (627,000) |
| Total General Fund | \$ 13,326,347 | \$ 11,521,105 | \$ (1,791,699) |

TOWN OF ABINGDON
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2013

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 | \$ 33,698 | \$ 34,372 | \$ - |
| Fringe benefits | 3,261 | 3,143 | 118 |
| Contractual services | 10,000 | 13,543 | (3,543) |
| Other services | 43,800 | 32,879 | 10,921 |
| Total legislative | 90,759 | 83,937 | 7,496 |
| General and Financial Administration: | | | |
| Personal services | 1,144,526 | 938,012 | 206,514 |
| Fringe benefits | 285,087 | 263,535 | 21,552 |
| Contractual services | 116,300 | 96,949 | 19,351 |
| Other charges | 177,600 | 170,649 | 6,951 |
| Capital outlay | 93,900 | 98,920 | (5,020) |
| Total general and financial administration | 1,817,413 | 1,568,066 | 249,348 |
| Total general government administration | 1,908,172 | 1,652,003 | 256,843 |
| Public Safety: | | | |
| Police and Traffic Control: | | | |
| Personal services | 1,207,698 | 1,304,032 | (96,334) |
| Fringe benefits | 470,061 | 485,406 | (15,345) |
| Contractual services | 33,500 | 19,178 | 14,322 |
| Other charges | 121,897 | 129,326 | (7,429) |
| Capital outlay | 95,000 | 108,192 | (13,192) |
| Total police and traffic control | 1,928,156 | 2,046,134 | (117,978) |
| Fire and Rescue Service: | | | |
| Personal services | 157,957 | 111,591 | 46,366 |
| Fringe benefits | 13,046 | 19,214 | (6,168) |
| Contractual services | 52,900 | 52,238 | 662 |
| Other charges | 81,650 | 88,152 | (6,502) |
| Capital outlay | 40,891 | 31,439 | 9,452 |
| Total fire and rescue service | 346,444 | 302,634 | 43,810 |
| Bureau of Inspections: | | | |
| Personal services | 96,331 | 102,595 | (6,264) |
| Fringe benefits | 40,504 | 40,256 | 248 |
| Contractual services | 1,000 | 678 | 322 |
| Other charges | 6,940 | 4,958 | 1,982 |
| Capital outlay | - | - | - |
| Total Bureau of Inspection | 144,775 | 148,487 | (3,712) |
| Total Public Safety | 2,419,375 | 2,497,255 | (77,880) |

TOWN OF ABINGDON
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2013

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) | | | |
| Public Works: | | | |
| Administration: | | | |
| Personal services | \$ 316,611 | \$ 297,752 | \$ 18,859 |
| Fringe benefits | 93,228 | 84,420 | 8,808 |
| Contractual services | 3,500 | 2,042 | 1,458 |
| Other charges | 33,025 | 20,774 | 12,251 |
| Capital outlay | 7,800 | 7,662 | 138 |
| Total Administration | <u>454,164</u> | <u>412,651</u> | <u>41,513</u> |
| Street and Lighting: | | | |
| Personal services | 589,304 | 574,627 | 14,677 |
| Fringe benefits | 273,162 | 258,661 | 14,501 |
| Contractual services | 72,000 | 57,862 | 14,138 |
| Other charges | 305,550 | 287,156 | 18,394 |
| Materials and supplies | 370,000 | 366,153 | 3,847 |
| Capital outlay | 344,000 | 227,779 | 116,221 |
| Total Streets and Lighting | <u>1,954,016</u> | <u>1,772,237</u> | <u>181,779</u> |
| Maintenance of Buildings & Grounds: | | | |
| Personal services | 285,306 | 268,243 | 17,063 |
| Fringe benefits | 110,528 | 93,155 | 17,373 |
| Contractual services | 9,300 | 4,716 | 4,584 |
| Other charges | 400,620 | 348,580 | 52,040 |
| Capital outlay | 37,900 | 347,820 | (309,920) |
| Total Maintenance of Bldgs. and Grounds | <u>843,654</u> | <u>1,062,514</u> | <u>(218,860)</u> |
| Waste Disposal: | | | |
| Personal services | 101,769 | 102,464 | (695) |
| Fringe benefits | 44,067 | 42,509 | 1,558 |
| Contractual services | 217,800 | 208,736 | 9,064 |
| Other charges | 30,600 | 72,497 | (41,897) |
| Capital outlay | 14,500 | 4,303 | 10,197 |
| Total Waste Disposal | <u>408,736</u> | <u>430,508</u> | <u>(21,772)</u> |
| Total Public Works | <u>3,660,570</u> | <u>3,677,910</u> | <u>(17,340)</u> |
| Health and Welfare: | | | |
| Contractual services | 5,350 | 5,833 | (483) |
| Tax exemption for the elderly | - | - | - |
| Total Health and Welfare | <u>5,350</u> | <u>5,833</u> | <u>(483)</u> |
| Parks and Recreation: | | | |
| Personal services | 1,201,641 | 1,215,756 | (14,115) |
| Fringe benefits | 374,507 | 321,209 | 53,298 |
| Contractual services | 69,250 | 120,019 | (50,769) |
| Other charges | 850,426 | 445,804 | 404,622 |
| Capital outlay | 221,000 | 173,595 | 47,405 |
| Total Parks and Recreation | <u>2,716,824</u> | <u>2,276,382</u> | <u>440,442</u> |

TOWN OF ABINGDON
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2013

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 | 1,323 | 577 |
| Capital outlay | - | 21,169 | (21,169) |
| Total Cemeteries | <u>1,900</u> | <u>22,492</u> | <u>(20,592)</u> |
| Total Parks and Rec. & Cultural | <u>2,718,724</u> | <u>2,298,874</u> | <u>419,850</u> |
| Community Development: | | | |
| Personal services | \$ 663,713 | \$ 688,189 | \$ (24,476) |
| Fringe benefits | 189,370 | 178,516 | 10,854 |
| Contractual services | 92,000 | 164,612 | (72,612) |
| Other charges | 307,100 | 338,295 | (31,195) |
| Donations/Appropriations | 739,274 | 891,429 | (152,155) |
| Capital outlay | <u>1,542,300</u> | <u>267,120</u> | <u>1,275,180</u> |
| Total Community Development | <u>3,533,757</u> | <u>2,528,161</u> | <u>1,005,596</u> |
| Reserve for Contingencies: | | | |
| Other charges | <u>232,261</u> | <u>238,884</u> | <u>(6,623)</u> |
| Total Reserve for Contingencies | <u>232,261</u> | <u>238,884</u> | <u>(6,623)</u> |
| Debt Service: | | | |
| Principal retirement | 412,638 | 451,605 | (38,967) |
| Interest and fiscal charges | <u>-</u> | <u>68,244</u> | <u>(68,244)</u> |
| Total Debt Service | <u>412,638</u> | <u>519,849</u> | <u>(107,211)</u> |
| Capital Projects: | | | |
| Land improvements | - | - | - |
| Buildings | <u>175,500</u> | <u>604,659</u> | <u>(429,159)</u> |
| Total Capital Projects | <u>175,500</u> | <u>604,659</u> | <u>(429,159)</u> |
| Total General Fund | <u>\$ 15,066,347</u> | <u>\$ 14,023,427</u> | <u>\$ 1,043,594</u> |

TOWN OF ABINGDON
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2013

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 | 11,956,693.00 | 16,640,740.00 | 4,684,047.00 | 71.85% | 5,101,601.00 | 91.82% |

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, 2013

Exhibit F-1

| | Special Revenue Funds | | | Capital Projects | | Permanent Fund | Total Non-major Governmental Funds |
|--|-----------------------|----------------------------------|------------------------|----------------------|---------------------|------------------|------------------------------------|
| | Electronic Village | Kings Mountain/ Taylor's Hill | Sewer Improvement Fund | Capital Reserve Fund | Rehabilitation Fund | Cemetery Fund | |
| <u>Assets</u> | | | | | | | |
| Cash | \$ 18,911 | \$ 85 | \$ 362,152 | \$ 755,628 | \$ 14,492 | \$ 26,906 | \$ 1,178,174 |
| Receivables: | | | | | | | |
| Accrued interest | - | - | 502 | - | 21 | 111 | 634 |
| Due from other funds | - | - | 250,001 | - | 729 | - | 250,730 |
| Due from other governmental units | - | 63,935 | - | - | - | - | 63,935 |
| Total Assets | <u>\$ 18,911</u> | <u>\$ 64,020</u> | <u>\$ 612,655</u> | <u>\$ 755,628</u> | <u>\$ 15,242</u> | <u>\$ 27,017</u> | <u>\$ 1,493,473</u> |
| <u>Liabilities and Fund Balances</u> | | | | | | | |
| Liabilities: | | | | | | | |
| Bank overdraft | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts payable | - | - | - | - | - | 15,828 | 15,828 |
| Due to other funds | 56,023 | 64,035 | - | 116,110 | - | - | 236,168 |
| Total Liabilities | <u>56,023</u> | <u>64,035</u> | <u>-</u> | <u>116,110</u> | <u>-</u> | <u>15,828</u> | <u>251,996</u> |
| Fund balances (deficits): | | | | | | | |
| Unreserved: | | | | | | | |
| Undesignated | (37,112) | (15) | 612,655 | 639,518 | 15,242 | 11,189 | 1,241,477 |
| Total Fund Balances | <u>(37,112)</u> | <u>(15)</u> | <u>612,655</u> | <u>639,518</u> | <u>15,242</u> | <u>11,189</u> | <u>1,241,477</u> |
| Total Liabilities and Fund Balances | <u>\$ 18,911</u> | <u>\$ 64,020</u> | <u>\$ 612,655</u> | <u>\$ 755,628</u> | <u>\$ 15,242</u> | <u>\$ 27,017</u> | <u>\$ 1,493,473</u> |

TOWN OF ABINGDON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

Exhibit F-2

| | Special Revenue Funds | | | Capital Projects | | Permanent Fund | Total Non-major Governmental Funds |
|--|-----------------------|----------------|------------------------|----------------------|---------------------|------------------|------------------------------------|
| | Electronic Village | Kings Mountain | Sewer Improvement Fund | Capital Reserve Fund | Rehabilitation Fund | Cemetery Fund | |
| Revenues: | | | | | | | |
| Other local taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Revenues from the use of money and property | - | - | 1,539 | 419 | 21 | 118 | 2,097 |
| Charges for services | 20,200 | - | - | - | - | - | 20,200 |
| Miscellaneous | - | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - | - |
| Total revenues | <u>20,200</u> | <u>-</u> | <u>1,539</u> | <u>419</u> | <u>21</u> | <u>118</u> | <u>22,297</u> |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| Community development | 44,389 | - | - | - | - | - | 44,389 |
| Capital projects | - | - | - | - | - | - | - |
| Total expenditures | <u>44,389</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>44,389</u> |
| Excess (deficiency) of revenues over expenditures | <u>(24,189)</u> | <u>-</u> | <u>1,539</u> | <u>419</u> | <u>21</u> | <u>118</u> | <u>(22,092)</u> |
| Other financing sources (uses): | | | | | | | |
| Operating transfers in | - | - | - | - | - | - | - |
| Operating transfers out | - | - | - | (194,460) | - | - | (194,460) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>(194,460)</u> | <u>-</u> | <u>-</u> | <u>(194,460)</u> |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | <u>(24,189)</u> | <u>-</u> | <u>1,539</u> | <u>(194,041)</u> | <u>21</u> | <u>118</u> | <u>(216,552)</u> |
| Fund balances - beginning | <u>(12,923)</u> | <u>(15)</u> | <u>611,116</u> | <u>833,559</u> | <u>15,221</u> | <u>11,071</u> | <u>1,458,029</u> |
| Fund balances - ending | <u>\$ (37,112)</u> | <u>\$ (15)</u> | <u>\$ 612,655</u> | <u>\$ 639,518</u> | <u>\$ 15,242</u> | <u>\$ 11,189</u> | <u>\$ 1,241,477</u> |

STATISTICAL SECTION (UNAUDITED)

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

TABLE 1

| Fiscal Year Ending | General Property Taxes | Other Local Taxes | Permit Privilege Fees and Regulatory Licenses | Fines and Forfeitures | Revenue from the Use of Money and Property | Charges for Services | Miscellaneous | Recovered Costs | Intergovernmental | Total |
|-----------------------|------------------------------|-------------------------|---|--------------------------|---|----------------------------|---------------|--------------------|-------------------|--------------|
| 2004 | \$ 2,092,868 | \$ 4,023,591 | \$ 39,356 | \$ 64,002 | \$ 157,928 | \$ 334,594 | \$ 74,148 | \$ 251,827 | \$ 2,553,430 | \$ 9,591,744 |
| 2005 | 2,162,634 | 4,127,300 | 36,778 | 73,551 | 208,796 | 369,159 | 54,282 | 203,455 | 2,804,868 | 10,040,823 |
| 2006 | 2,263,598 | 4,284,444 | 39,795 | 39,795 | 323,895 | 330,543 | 689 | 253,408 | 2,540,704 | 10,076,871 |
| 2007 | 2,317,059 | 4,817,990 | 31,454 | 47,213 | 490,063 | 740,455 | 473 | 99,304 | 2,389,912 | 10,933,923 |
| 2008 | 2,291,873 | 5,121,179 | 29,926 | 55,492 | 383,138 | 738,723 | 35,859 | 3,163 | 2,597,837 | 11,257,190 |
| 2009 | 2,353,245 | 5,666,262 | 24,254 | 34,264 | 195,938 | 854,927 | 25,188 | 254,875 | 2,712,711 | 12,121,664 |
| 2010 | 3,412,150 | 5,869,947 | 20,084 | 26,571 | 113,297 | 824,850 | 8,151 | 200,220 | 2,288,748 | 12,764,018 |
| 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 |

TOWN OF ABINGDON
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION (1)
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> |
|-------------------------------|--|--------------------------|-------------------------|-------------------------------|---|----------------------------------|------------------------------|-------------------------|-----------------------------|--------------|
| 2003 | \$ 860,140 | \$ 1,951,532 | \$ 1,839,372 | \$ 990 | \$ 1,136,398 | \$ 1,435,456 | \$ 27,515 | \$ 578,902 | \$ 144,931 | \$ 7,975,236 |
| 2004 | 848,241 | 1,734,738 | 1,986,145 | 1,036 | 1,708,930 | 1,350,008 | 45,267 | 574,409 | 677,960 | 8,926,734 |
| 2005 | 1,030,085 | 2,361,611 | 2,452,312 | 8,514 | 1,588,602 | 1,359,843 | 47,420 | 573,137 | 1,049,439 | 10,470,963 |
| 2006 | 1,044,328 | 1,851,870 | 2,462,063 | 1,460 | 1,756,468 | 1,737,235 | 26,259 | 531,213 | 271,706 | 9,682,602 |
| 2007 | 1,157,711 | 2,526,369 | 3,615,701 | 9,353 | 1,866,350 | 1,559,941 | 36,457 | 337,701 | 1,016,920 | 12,126,503 |
| 2008 | 1,396,408 | 2,002,734 | 3,192,441 | 8,019 | 2,031,323 | 1,511,014 | 77,757 | 364,354 | 1,558,482 | 12,142,532 |
| 2009 | 1,505,155 | 2,101,677 | 3,160,722 | 9,591 | 2,123,965 | 49,147 | 1,858,791 | 357,628 | 3,346,647 | 14,513,323 |
| 2010 | 1,577,449 | 2,367,422 | 3,243,545 | 2,893 | 2,329,850 | 162,024 | 1,613,257 | 509,262 | 931,778 | 12,737,480 |
| 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 |

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

TABLE 3

| <u>Fiscal Year Ending</u> | <u>Tax Rate</u> | <u>Real Estate</u> | <u>Personal Property</u> | <u>Public Service Corporation</u> | <u>Total</u> |
|-------------------------------|---------------------|------------------------|------------------------------|---|--------------|
| 2004 | 0.32 | 508,446,600 | 868,829 | 22,682,100 | 531,997,529 |
| | 0.55 | - | 68,716,060 | 112,201 | 68,828,261 |
| 2005 | 0.28 | 516,966,900 | 858,940 | 21,358,395 | 539,184,235 |
| | 0.55 | - | 73,624,020 | 95,775 | 73,719,795 |
| 2006 | 0.28 | 618,206,469 | 903,675 | 24,613,411 | 643,723,555 |
| | 0.55 | - | 78,412,965 | 54,123 | 78,467,088 |
| 2007 | 0.28 | 642,449,600 | 831,201 | 11,611,232 | 654,892,033 |
| | 0.55 | - | 82,239,016 | 54,123 | 82,293,139 |
| 2008 | 0.28 | 641,517,000 | 709,799 | 21,580,382 | 663,807,181 |
| | 0.55 | - | 81,228,773 | 266,012 | 81,494,785 |
| 2009 | 0.28 | 644,346,200 | 731,022 | 19,769,209 | 664,846,431 |
| | 0.55 | - | 81,439,160 | 233,200 | 81,672,360 |
| 2010 | 0.28 | 644,346,200 | 759,626 | 21,519,981 | 666,625,807 |
| | 0.55 | - | 78,322,505 | 406,945 | 78,729,450 |
| 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 |

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

TABLE 4

| <u>Fiscal Year Ending</u> | <u>Total (1) Tax Levy</u> | <u>Current Tax (1) Collections</u> | <u>Percent of Levy Collected</u> | <u>Delinquent (1) Tax Collections</u> | <u>Total Collections</u> | <u>Percent of Total Tax Collections to Tax Levy</u> | <u>Percent of Delinquent Taxes to Tax Levy</u> |
|-----------------------------------|-------------------------------|--|--|---|------------------------------|---|--|
| 2004 | \$ 2,089,053 | \$ 1,997,824 | 95.6% | \$ 81,487 | \$ 2,079,311 | 99.5% | 3.90% |
| 2005 | 2,137,796 | 2,049,280 | 95.9% | 68,616 | 2,117,896 | 99.1% | 3.21% |
| 2006 | 2,234,163 | 2,200,288 | 98.5% | 64,431 | 2,264,719 | 101.4% | 2.88% |
| 2007 | 2,257,184 | 2,196,832 | 97.3% | 56,952 | 2,253,784 | 99.8% | 2.52% |
| 2008 | 2,285,547 | 2,206,019 | 96.5% | 147,226 | 2,353,245 | 103.0% | 6.44% |
| 2009 | 2,273,559 | 2,197,117 | 96.6% | 76,442 | 2,273,559 | 100.0% | 3.36% |
| 2010 | 3,475,376 | 3,252,495 | 93.6% | 68,402 | 3,320,897 | 95.6% | 1.97% |
| 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% |

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 | | | |
| 2004 | 7,780 | 600,825,790 | 8,307,247 | - | 5,497,247 | 2,810,000 | 0.4677% | 361 |
| 2005 | 7,780 | 612,904,030 | 8,280,758 | - | 5,870,758 | 2,410,000 | 0.3932% | 310 |
| 2006 | 7,780 | 722,190,643 | 13,323,996 | - | 11,333,396 | 1,990,600 | 0.2756% | 256 |
| 2007 | 7,780 | 737,185,172 | 14,738,102 | - | 12,998,102 | 1,740,000 | 0.2360% | 224 |
| 2008 | 7,780 | 745,301,966 | 14,355,734 | - | 12,875,734 | 1,480,000 | 0.1986% | 190 |
| 2009 | 7,780 | 746,518,791 | 17,359,963 | - | 11,495,532 | 5,864,431 | 0.7856% | 754 |
| 2010 | 7,780 | 748,298,167 | 16,439,516 | - | 10,751,914 | 5,687,602 | 0.7601% | 731 |
| 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 |

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

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

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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 2, 2013.

Internal Control Over Financial Reporting

Management of the Abingdon Redevelopment and Housing Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Abingdon Redevelopment and Housing Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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
December 2, 2013