TOWN OF ABINGDON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2019

PREPARED BY:

FINANCE DEPARTMENT
TOWN OF ABINGDON, VIRGINIA

TOWN OF ABINGDON, VIRGINIA
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STATISTICAL DATA – (UNAUDITED)

COMPLIANCE

June 30, 2019

TOWN COUNCIL:

Wayne Craig, Mayor
Cindy Patterson, Vice-Mayor
Donna Quetsch
Derek Webb
Al Bradley

TOWN OFFICERS:

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

BROWN EDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Town Council
Town of Abingdon, Virginia
Abingdon, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Abingdon, Virginia ("Town") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Abingdon, Virginia, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Adjustment to Fund Balance

As described in Note 18 to the financial statements, the financial accounting process for the June 30, 2019 fiscal year indicated that amounts previously reported under the Electronic Village Fund as governmental special revenues were misclassified as such, and that these funds should be reported as activities of the General Fund as their designated purpose was for the furtherance of general fund activities. The prior fund balance has been removed with a prior period adjustment from the Special Revenue classification and correctly reported as part of the General Fund as of June 30, 2019. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards 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 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2019 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
November 29, 2019

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2019

EXHIBIT 1

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 4,824,615	$ 1,703,875	$ 6,528,490
Receivables:			
Taxes, net	1,373,285	-	1,373,285
Accounts, net	87,926	690,019	777,945
Other	379,788	1,868	381,656
Due from other governmental units	626,869	-	626,869
Internal balances	(565,666)	565,666	-
Inventory	5,253	-	5,253
Restricted assets:			
Cash	796,468	1,251,921	2,048,389
Capital assets, non-depreciable	16,141,618	25,010	16,166,628
Capital assets, depreciable, net	13,468,197	10,580,480	24,048,677
Total Assets	37,138,353	14,818,839	51,957,192
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	732,041	129,184	861,225
Deferred outflows related to other postemployment benefits	155,098	14,544	169,642
Total Deferred Outflows of Resources	887,139	143,728	1,030,867
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 38,025,492	$ 14,962,567	$ 52,988,059
LIABILITIES			
Accounts payable	$ 205,324	$ 109,556	$ 314,880
Accrued liabilities and wages	192,922	43,747	236,669
Construction bonds payable	19,303	-	19,303
Payable from restricted assets:			
Deposits	-	282,575	282,575
Police seizure deposits	1,651	-	1,651
Accrued interest	25,952	1,861	27,813
Long-term liabilities:			
Net pension liability	2,885,257	509,163	3,394,420
Net other postemployment benefit liability	1,402,073	236,140	1,638,213
Due within one year	802,363	972,977	1,775,340
Due in more than one year	6,790,471	5,853,258	12,643,729
Total Liabilities	12,325,316	8,009,277	20,334,593
DEFERRED INFLOWS OF RESOURCES			
Property taxes	1,084,508	-	1,084,508
Deferred inflows related to pension	610,952	107,815	718,767
Deferred inflows related to other postemployment benefits	147,674	22,035	169,709
Total Deferred Inflows of Resources	1,843,134	129,850	1,972,984
NET POSITION			
Net investment in capital assets	22,466,371	3,920,784	26,387,155
Restricted	641,272	-	641,272
Unrestricted	749,399	2,902,656	3,652,055
Total Net Position	23,857,042	6,823,440	30,680,482
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 38,025,492	$ 14,962,567	$ 52,988,059

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

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
					Primary Government		
FUNCTIONS/PROGRAMS:	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Governmental Activities:							
General government	$ 2,434,231	$ -	$ -	$ -	$ (2,434,231)	$ -	$ (2,434,231)
Public safety	4,123,159	9,727	1,052,471	25,000	(3,035,961)	-	(3,035,961)
Public works	3,467,788	419,277	2,056,673	1,815,790	823,952	-	823,952
Health and welfare	35,947	-	-	-	(35,947)	-	(35,947)
Parks, recreation, and cultural	3,426,901	465,227	4,500	329,734	(2,627,440)	-	(2,627,440)
Community development	1,019,371	9,537	48,083	100,221	(861,530)	-	(861,530)
Interest on long-term debt	123,726	-	-	-	(123,726)	-	(123,726)
Non-departmental	73,813	-	-	-	(73,813)	-	(73,813)
Total Governmental Activities	14,704,936	903,768	3,161,727	2,270,745	(8,368,696)	-	(8,368,696)
Business-Type Activities:							
Wastewater	3,091,420	3,299,129	-	-	-	207,709	207,709
Total Business-Type Activities	3,091,420	3,299,129	-	-	-	207,709	207,709
TOTAL PRIMARY GOVERNMENT	$ 17,796,356	$ 4,202,897	$ 3,161,727	$ 2,270,745	(8,368,696)	207,709	(8,160,987)

	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Property taxes	2,899,882	-	2,899,882
Local sales & use tax	488,092	-	488,092
Utility tax	84,167	-	84,167
Business license tax	838,602	-	838,602
Franchise license tax	60,555	-	60,555
Communication taxes	102,749	-	102,749
Motor vehicle license	158,944	-	158,944
Bank stock tax	618,639	-	618,639
Cigarette tax	256,458	-	256,458
Hotel and motel room tax	896,562	-	896,562
Restaurant food tax	3,038,690	-	3,038,690
Unrestricted intergovernmental revenue	66,870	-	66,870
Unrestricted investment earnings	76,662	38,639	115,301
Rental of Town property	4,825	-	4,825
Recovered costs	1,594	-	1,594
Gain on disposal of asset	58,064	-	58,064
Other	502,430	-	502,430
Total general revenues and transfers	10,153,785	38,639	10,192,424
Change in net position	1,785,089	246,348	2,031,437
NET POSITION - JULY 1	22,071,953	6,577,092	28,649,045
NET POSITION - JUNE 30	$ 23,857,042	$ 6,823,440	$ 30,680,482

TOWN OF ABINGDON, VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2019

EXHIBIT 3

	General Fund	Nonmajor Governmental Funds	Total
ASSETS			
Cash and cash equivalents	$ 4,824,615	$ -	$ 4,824,615
Receivables, net:			
Taxes	1,373,285	-	1,373,285
Accounts	87,926	-	87,926
Other	379,778	10	379,788
Due from other funds	1,815	-	1,815
Due from other governmental units	626,869	-	626,869
Inventory	5,253	-	5,253
Restricted assets:			
Cash	710,949	85,519	796,468
Total Assets	$ 8,010,490	$ 85,529	$ 8,096,019
LIABILITIES			
Accounts payable	$ 190,593	$ 14,731	$ 205,324
Accrued payroll and related liabilities	192,922	-	192,922
Construction bonds payable	19,303	-	19,303
Police seizure deposits	1,651	-	1,651
Due to other funds	565,666	1,815	567,481
Total Liabilities	970,135	16,546	986,681
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	1,367,374	-	1,367,374
Total Deferred Inflows of Resources	1,367,374	-	1,367,374
FUND BALANCES:			
Nonspendable	5,253	-	5,253
Restricted	572,289	68,983	641,272
Unassigned	5,095,439	-	5,095,439
Total Fund Balances	5,672,981	68,983	5,741,964
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 8,010,490	$ 85,529	$ 8,096,019

TOWN OF ABINGDON, VIRGINIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2019

Total Fund Balances per Exhibit 3-Balance Sheet-Governmental Funds	$ 5,741,964
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	29,609,815
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	282,866
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable, net of premiums and discounts	(6,801,098)
Accrued interest payable	(25,952)
Capital leases payable	(342,346)
Compensated absences	(449,390)
Financial statement elements related to other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources for 2019 employer contributions	47,928
Deferred outflows of resources related to other postemployment benefits	107,170
Deferred inflows of resources related to other postemployment benefits	(147,674)
Net other postemployment benefit liability	(1,402,073)
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources for 2019 employer contributions	436,453
Deferred outflows of resources for the net difference between projected and actual earnings on pension plan investments	295,588
Deferred inflows of resources for the net difference between projected and actual earnings on pension plan investments	(610,952)
Net pension liability	(2,885,257)
Net Position of Governmental Activities	$ 23,857,042

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2019

EXHIBIT 5

	General Fund	Nonmajor Governmental Funds	Total
REVENUES:			
General property taxes	$ 2,862,820	$ -	$ 2,862,820
Other local taxes	6,543,458	-	6,543,458
Permits, privilege fees and regulatory licenses	50,076	-	50,076
Fines and forfeitures	17,946	-	17,946
Revenue from use of money and property	80,400	1,087	81,487
Charges for services	903,768	-	903,768
Miscellaneous	394,038	-	394,038
Recovered costs	1,594	-	1,594
Intergovernmental	5,499,342	-	5,499,342
Total Revenues	16,353,442	1,087	16,354,529
EXPENDITURES:			
Current:			
General government administration	2,297,229	-	2,297,229
Public safety	3,726,692	-	3,726,692
Public works	3,310,845	-	3,310,845
Health and welfare	35,947	-	35,947
Parks, recreation and cultural	6,967,622	-	6,967,622
Community development	1,266,510	-	1,266,510
Non-departmental	73,813	-	73,813
Debt Service:			
Principal	588,699	-	588,699
Interest	122,074	-	122,074
Total Expenditures	18,389,431	-	18,389,431
Excess (Deficiency) of Revenues Over/Under Expenditures	(2,035,989)	1,087	(2,034,902)
OTHER FINANCING SOURCES (USES):			
Sale of property	189,160	-	189,160
Insurance recoveries	40,374	-	40,374
Loan proceeds	2,402,983	-	2,402,983
Total Other Financing Sources (Uses)	2,632,517	-	2,632,517
Net Change in Fund Balance	596,528	1,087	597,615
Prior Period Adjustment	(93,914)	93,914	-
FUND BALANCE AT JULY 1	5,170,367	(26,018)	5,144,349
FUND BALANCE AT JUNE 30	$ 5,672,981	$ 68,983	$ 5,741,964

TOWN OF ABINGDON, VIRGINIA

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

Net Change in Fund Balance Governmental Funds:	$ 597,615
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	4,903,316
Depreciation expense	(943,293)
	3,960,023
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	37,062
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to decrease net assets	(131,096)
The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Principal repayments:	
General obligation debt	503,052
Capital lease	85,647
Proceeds from debt	(2,402,983)
	(1,814,284)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest	(1,652)
Compensated absences	39,276
Other post-employment benefits	161,846
	199,470
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense	
Employer pension contributions	436,453
Pension expense	(1,500,154)
	(1,063,701)
Change in Net Position of Governmental Activities	$ 1,785,089

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL -
GENERAL FUND
Year Ended June 30, 2019

EXHIBIT 7

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
REVENUES:				
General property taxes	$ 2,813,600	$ 2,813,600	$ 2,862,820	$ 49,220
Other local taxes	6,682,500	6,682,500	6,543,458	(139,042)
Permits, privilege fees and regulatory licenses	34,500	34,500	50,076	15,576
Fines and forfeitures	36,500	36,500	17,946	(18,554)
Revenue from use of money and property	18,024	18,024	80,400	62,376
Charges for services	848,350	848,350	903,768	55,418
Miscellaneous	253,830	331,720	394,038	62,318
Recovered costs	20,000	20,000	1,594	(18,406)
Intergovernmental	4,959,088	6,023,659	5,499,342	(524,317)
Total Revenues	15,666,392	16,808,853	16,353,442	(455,411)
EXPENDITURES:				
General government :				
Legislative	111,534	84,634	87,626	(2,992)
General and financial administration	2,134,791	2,169,726	2,209,603	(39,877)
Total general government	2,246,325	2,254,360	2,297,229	(42,869)
Public safety:				
Police	2,077,865	2,077,865	2,143,723	(65,858)
Fire	460,611	1,317,411	1,313,181	4,230
Building Inspections	275,483	275,483	269,788	5,695
Total public safety	2,813,959	3,670,759	3,726,692	(55,933)
Public works:				
Maintenance of highways, streets, bridges, and sidewalks	3,356,434	3,696,022	2,762,935	933,087
Sanitation and waste removal	312,306	360,306	406,226	(45,920)
Maintenance of general buildings and grounds	132,710	123,710	141,684	(17,974)
Total public works	3,801,450	4,180,038	3,310,845	869,193
Health and welfare	35,690	35,825	35,947	(122)
Parks, recreation, and cultural	8,592,468	8,776,800	6,967,622	1,809,178
Community development	1,246,803	1,294,768	1,266,510	28,258
Non-departmental	79,880	73,880	73,813	67
Debt service:				
Principal	705,243	704,436	588,699	115,737
Interest	122,074	122,074	122,074	-
Total debt service	827,317	826,510	710,773	115,737
Total Expenditures	19,643,892	21,112,940	18,389,431	2,723,509
OTHER FINANCING SOURCES (USES):				
Sale of property	7,500	191,160	189,160	(2,000)
Insurance recoveries	50,000	50,000	40,374	(9,626)
Loan proceeds	3,920,000	4,062,927	2,402,983	(1,659,944)
Transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	3,977,500	4,304,087	2,632,517	(1,671,570)
Net Change in Fund Balance	$ -	$ -	$ 596,528	$ 596,528

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

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF NET POSITION -
PROPRIETARY FUND
June 30, 2019

	Sewer Fund
ASSETS	
Cash and cash equivalents	$ 1,703,875
Receivables, net:	
Accounts	690,019
Accrued interest	1,868
Due from other funds	565,666
Restricted Assets:	
Cash	1,251,921
Capital assets, non-depreciable	25,010
Capital assets, depreciable, net	10,580,480
Total Assets	14,818,839
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	129,184
Deferred outflows related to other postemployment benefits	14,544
Total Deferred Outflows of Resources	143,728
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 14,962,567
LIABILITIES	
Current liabilities:	
Accounts payable	$ 109,556
Accrued wages and liabilities	43,747
Payable From Restricted Assets:	
Customer deposits	282,575
Accrued interest	1,861
Long-term liabilities due within one year	972,977
Total Current Liabilities	1,410,716
Noncurrent liabilities:	
Net pension liability	509,163
Net other postemployment benefit liability	236,140
Long-term liabilities due in more than one year	5,853,258
Total Noncurrent Liabilities	6,598,561
Total Liabilities	8,009,277
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	107,815
Deferred inflows related to other postemployment benefits	22,035
Total Deferred Inflows of Resources	129,850
NET POSITION	
Net investment in capital assets	3,920,784
Unrestricted	2,902,656
Total Net Position	6,823,440
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 14,962,567

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

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION -
PROPRIETARY FUND
Year Ended June 30, 2019

	Sewer Fund
OPERATING REVENUES:	
Sewer service charges	$ 3,080,327
Solid waste charges	73,338
Sewer connection charges	105,849
Miscellaneous	36,019
Total Operating Revenues	3,295,533
OPERATING EXPENSES:	
Personal services	1,131,547
Fringe benefits	616,589
Contractual services	148,417
Other charges	553,965
Depreciation	622,766
Total Operating Expenses	3,073,284
Operating Income	222,249
NON-OPERATING REVENUES (EXPENSES):	
Sewer impact fees	3,596
Interest income	38,639
Interest expense	(18,136)
Total Non-Operating Revenues (Expenses)	24,099
CHANGE IN NET POSITION	246,348
NET POSITION AT JULY 1	6,577,092
NET POSITION AT JUNE 30	$ 6,823,440

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

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
Year Ended June 30, 2019

	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$ 3,225,217
Cash payments to suppliers for goods and services	(1,102,684)
Cash payments to employees for services	(1,133,397)
Receipts (payment) of customer deposits	21,100
Other operating receipts	36,019
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,046,255
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Transfers from other funds	20,969
Transfers to other funds	(365,436)
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	(344,467)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital assets purchases	(309,755)
Principal paid on long-term liabilities	(892,592)
Proceeds from debt	157,655
Capital improvement fees	3,596
Interest paid on long-term liabilities	(17,513)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(1,058,609)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	37,287
NET CASH PROVIDED BY INVESTING ACTIVITIES	37,287
NET DECREASE IN CASH AND CASH EQUIVALENTS	(319,534)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,275,330
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,955,796
Displayed as:	
Cash and Cash Equivalents-Unrestricted	$ 1,703,875
Restricted Cash	1,251,921
	$ 2,955,796
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 222,249
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	622,766
Pension expense net of employer contributions	187,712
Change in assets and liabilities	
(Increase) decrease in:	
Receivables, net	(34,297)
(Decrease) increase in:	
Accounts payable	56,417
Customer deposits	21,100
Accrued wages and liabilities	3,034
Compensated absences	(4,884)
Other post-employment benefits	(27,842)
TOTAL ADJUSTMENTS	824,006
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,046,255

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

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

Reporting Entity

The Town of Abingdon, Virginia (the Town) is a municipality governed by an elected five-member council. The accompanying financial statements present all activities of the Town; the Town has determined that it has no component units. The Town is the primary government of the reporting entity.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental* activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Property taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation *(Continued)*

Licenses, permits, fines, and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditures. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary fund:

The S*ewer Fund* accounts for activities related to a sewer treatment system and derives the majority of its revenue through user charges and fees.

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

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

Capital Projects Funds accounts for the construction of capital assets which are financed from various sources other than special assessment debt.

Permanent Funds account for resources that are legally restricted to the extent that only earnings, not principal may be used for purposes that support specific programs.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* included 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. The Sewer Fund also recognizes operating revenue for the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

Deposits and Investments

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

Interfund Receivables and Payables

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

Inventory

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

Property Taxes

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

Capital Assets

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

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

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

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

	Years
Buildings and improvements	40
Infrastructure and improvements	40
Vehicles	5-10
Furniture and equipment	5-10

Compensated Absences

The Town has a policy to allow the accumulation and vesting of limited amounts of paid leave and sick leave until termination or retirement. Amounts of such absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds when the amounts are due for payment.

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

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

Long-Term Debt

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

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

Fund Balances

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

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town has classified prepaid items and inventory as being nonspendable as these items are not expected to be converted to cash within the next year. The Town also includes the long-term amount of interfund loans, if applicable.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. These amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- Assigned: This classification includes amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council or through the Town Council delegating this responsibility to the Town’s Finance Director as approved by this fund balance policy.

- Unassigned: This classification includes the residual fund balance for the general fund. The unassigned classification amounts are available for any purpose. Positive unassigned amounts are reported in the general fund only. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

Minimum Unassigned Fund Balance Policy
The Town does not maintain an unassigned minimum fund balance policy.

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

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

Fund Balances (Continued)

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

Encumbrances and Commitments

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

Net Position

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

- Net investment in capital assets-consists of historical cost of capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.
- Restricted-consists of assets that are restricted by the Town’s creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted-all other net position is reported in this category.

Deferred Outflows/Inflows of Resources

The Town reports deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense) until the applicable period. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until a future period.

Employer pension and other postemployment benefit (OPEB) contributions made after the net pension liability measurement date of June 30, 2018 and prior to the reporting date of June 30, 2018, have been reported as deferred outflows of resources in the Statement of Net Position as of June 30, 2018. This will be applied to the net pension and OPEB liabilities in the next fiscal year.

Differences between the projected and actual pension and OPEB earnings as of the actuarial measurement date of June 30, 2018 have been reported as a deferred inflow of resources. This difference will be recognized in pension and OPEB expense over a closed five-year period.

The Town additionally reports unavailable/unearned revenue from property taxes and other receivables not collected within 45 day of year-end and property taxes levied to fund future years. Unavailable/unearned revenue may also represent revenue that has been received, but the earnings process is not yet complete. These amounts are deferred and recognized as an inflow of resources in the period they are earned.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

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

Pensions

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

Other Postemployment Benefits (OPEB)

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

Health Insurance Credit Program
The VRS Health Insurance Credit (HIC) Program is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. The HIC Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended.

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

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

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

2. ***STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY***

Budgetary Information

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

2. ***STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)***

Budgetary Information (Continued)

1. Prior to March 30, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain citizen comments.

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

4. The Appropriations Resolution places legal restrictions on expenditures at the category level. The appropriations for each category can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within governmental departments.

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

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

7. Appropriations lapse on June 30 for all Town units except for the Capital Projects Funds, which carry unexpended balances into the following year on a continuing appropriation basis.

8. All budget data presented in the accompanying financial statements is the revised budget as of June 30, 2019.

3. ***DEPOSITS AND INVESTMENTS***

Deposits

All cash of the Town is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 *et seq.* of the *Code of Virginia*, and covered by Federal Deposit Insurance Corporation (FDIC). Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Investment Policy

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

Credit Risk

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

3. *DEPOSITS AND INVESTMENTS (Continued)*

Concentration of Credit Risk

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

First Bank & Trust	69%
New Peoples Bank	12%
LGIP	7%
Bank of America	6%
VIP	6%

Custodial Credit Risk

As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. As of June 30, 2019, all of the Town's investments are held in a bank's trust department in the Town's name.

Deposits and investments consist of the following:

Cash on hand	$ 1,612
Deposits	2,422,280
LGIP and VIP	1,041,526
Certificates of deposit	5,111,461
	$8,576,879

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

Cash and cash equivalents	$6,528,490
Restricted cash and cash equivalents	2,048,389
	$8,576,879

4. *RECEIVABLES*

Receivables at June 30 are as follows:

	Governmental Activities	Business-Type Activities
Receivables		
Taxes	$ 1,513,818	$ -
Accounts	106,794	802,854
Other	379,788	1,868
Gross receivables	2,000,400	804,722
Less:		
Allowance for uncollectibles	(159,401)	(112,835)
Net total receivables	$ 1,840,999	$ 691,887

4. *RECEIVABLES (Continued)*

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $272,236 at June 30, 2019, and is composed of the following:

General Fund:	
Allowance for uncollectible property taxes	$ 140,533
Allowance for uncollectible garbage fees	18,868
Total General Fund	$ 159,401
Sewer Fund:	
Allowance for uncollectible sewer fee billings	$112,835
Total Sewer Fund	$112,835

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and governmental activities also defer inflows for resources that have not yet been earned. At June 30, the components of deferred inflows of resources related to taxes were as follows:

	General Fund	Governmental Activities
Property taxes receivable	$ 1,355,279	$ 1,072,413
Prepaid taxes	12,095	12,095
	$ 1,367,374	$ 1,084,508

5. *DUE FROM OTHER GOVERNMENTAL UNITS*

Due from other governments consists of the following:

Commonwealth of Virginia:	
Local sales tax	$ 49,599
Virginia Department of Transportation	558,763
Department of Motor Vehicles	2,107
Communication tax	16,400
Total Commonwealth of Virginia	626,869
Total Due from Other Governmental Units	$626,869

6. *INTERFUND OBLIGATIONS*

Interfund obligations consist of the following:

Receivable Fund	Payable Fund	Amount
General	Rehabilitation Fund	$ 718
	Cemetery Fund	1,097
		1,815
Sewer	General	565,666
		$ 567,481

7. *CAPITAL ASSET DEPRECIATION*

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

Governmental activities:	
General government	$ 99,449
Public safety	246,210
Public works	253,820
Parks, recreation, and cultural	268,071
Community development	75,743
Total depreciation expense – governmental activities	$ 943,293
Business-type activities:	
Sewer	$ 622,766
Total depreciation expense – business-type activity	$ 622,766

8. *CAPITAL ASSETS*

The following is a summary of changes in capital assets:

Governmental Activities:	Beginning Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
Capital assets, non-depreciable:				
Land	$ 9,803,323	$ -	$ -	$ 9,803,323
Construction in progress	2,486,449	3,995,557	143,711	6,338,295
Total capital assets, non-depreciable	12,289,772	3,995,557	143,711	16,141,618
Capital assets, depreciable:				
Buildings and improvements	11,918,092	-	171,885	11,746,207
Infrastructure/improvements	7,373,172	652,729	-	8,025,901
Vehicles	3,422,103	222,560	29,338	3,615,325
Furniture and equipment	1,693,305	176,181	-	1,869,486
Total capital assets, depreciable	24,406,672	1,051,470	201,223	25,256,919
Less Accumulated Depreciation For:				
Buildings and improvements	5,395,240	323,721	40,789	5,678,172
Infrastructure/improvements	1,908,141	216,699	-	2,124,840
Vehicles	2,418,480	214,960	29,338	2,604,102
Furniture and equipment	1,193,695	187,913	-	1,381,608
Total accumulated depreciation	10,915,556	943,293	70,127	11,788,722
Total capital assets, depreciable net	13,491,116	108,177	131,096	13,468,197
Net capital assets	$ 25,780,888	$ 4,103,734	$ 274,807	$ 29,609,815

8. *CAPITAL ASSETS (Continued)*

Business-Type Activities:	Beginning Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
Capital assets, non-depreciable:				
Land	$ 25,010	$ -	$ -	$ 25,010
Total capital assets, non-depreciable	25,010	-	-	25,010
Capital assets, depreciable:				
Buildings and improvements	173,928	-	-	173,928
Plant	23,220,736	-	-	23,220,736
Distribution and collection lines	6,502,140	152,100	-	6,654,240
Vehicles	1,243,999	-	-	1,243,999
Furniture and equipment	1,834,533	157,655	-	1,992,188
Total capital assets, depreciable	32,975,336	309,755	-	33,285,091
Less Accumulated Depreciation For:				
Buildings and improvements	100,068	4,306	-	104,374
Plant	15,304,048	421,322	-	15,725,370
Distribution and collection lines	4,126,070	87,765	-	4,213,835
Vehicles	1,109,073	38,937	-	1,148,010
Furniture and equipment	1,442,585	70,437	-	1,513,022
Total accumulated depreciation	22,081,844	622,767	-	22,704,611
Total capital assets, depreciable net	$ 10,893,492	$ (313,012)	$ -	$ 10,580,480
Net capital assets	$ 10,918,502	$ (313,012)	$ -	$ 10,605,490

9. *LONG-TERM DEBT*

Changes in long-term liabilities consist of the following:

	Beginning Balance 7/1/2018	Increases	Decreases	Balance 6/30/2019	Due within One Year
Governmental Activities					
General obligation bonds	$ 4,544,559	$ 2,203,436	$ (312,477)	$ 6,435,518	$ 320,123
Notes payable	413,229	142,927	(190,576)	365,580	101,516
Capital leases	371,373	56,620	(85,647)	342,346	66,151
Compensated absences	488,667	298,292	(337,569)	449,390	314,573
Total	$ 5,817,828	$ 2,701,275	$ (926,269)	$ 7,592,834	$ 802,363
Business-Type Activities					
Revenue bonds	$ 7,419,643	$ -	$ (861,061)	$ 6,558,582	$ 842,376
Notes payable	-	157,655	(31,531)	126,124	31,531
Compensated absences	146,413	97,931	(102,815)	141,529	99,070
Total	$ 7,566,056	$ 255,586	$ (995,407)	$ 6,826,235	$ 972,977

9. *LONG-TERM DEBT (Continued)*

Governmental Activities:

Refunding Bonds

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

Notes Payable

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

The Town entered into a collateralized loan agreement with Highlands Union Bank on June 12, 2018. The note was to purchase a 2019 Kenworth T370 and is collateralized by the same. Principal and interest installments of $28,961 are due annually until maturity at June 15, 2023. The interest rate on the loan is 2.95% and interest payments are due quarterly for the life of the loan.

The Town entered into a collateralized loan agreement with Highlands Union Bank on October 30, 2018. The note was to purchase a 2019 Peterson Lightning Loader and is collateralized by the same. Principal and interest installments of $31,211 are due annually beginning May 5, 2019 and continuing until maturity on May 5, 2023. The interest rate on the loan is 3.00%.

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities of the primary government. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. The $10,000,000 general obligation bond is being drawn down as expenses are incurred. The outstanding balance at year-end is a reflection of the total amount drawn as of June 30, 2019.

General Obligation Bonds	Original Issue Amount	Interest Rates	Annual Principal Requirements	Total Outstanding
General Obligation Refunding Bonds 2013	$ 1,347,167	2.25%	$80,898 to $151,976	$ 554,992
General Obligation Bonds 2013	2,600,000	2.50%	80,898 to 151,976	1,673,824
General Obligation Bonds 2016	10,000,000	1.40%	Interest only to maturity	4,206,702
Total General Obligation Bonds				$ 6,435,518

Capital Leases

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

Capital Leases	Original Issue Amount	Interest Rates	Annual Principal Requirements	Total Outstanding
Fire Truck	$ 558,827	3.50%	$41,184 to $54,655	$ 300,726
Firewall System	56,620	4.00%	15,000 to 21,264	41,620
Total Capital Leases				$ 342,346

9. *LONG-TERM DEBT (Continued)*

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

Governmental Activities

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Notes Principal	Notes Interest	Capital Leases Principal	Capital Leases Interest
2020	$ 320,123	$ 113,343	$ 101,516	$ 8,393	$ 66,151	$ 12,686
2021	290,670	105,604	103,137	6,075	68,708	10,128
2022	4,477,678	46,611	104,789	3,728	49,152	7,471
2023	277,466	33,200	56,138	1,682	50,922	5,700
2024	279,593	26,505	-	-	52,756	3,867
2025-2029	789,988	49,984	-	-	54,657	1,968
Totals	$ 6,435,518	$ 375,247	$ 365,580	$ 19,878	$ 342,346	$ 41,820

Business-Type Activities

Notes Payable

The Town entered into a loan agreement with First Bank and Trust Company on October 4, 2018. The note was for sewer equipment and is collateralized with a certificate of deposit. Principal installments of $31,531 are due annually until maturity at October 4, 2023. The interest rate on the loan is 3.00% and interest payments are due semi-annually for the life of the loan.

Revenue Bonds

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

Revenue Bonds	Original Issue Amount	Interest Rates	Annual Principal Requirements	Total Outstanding
2000 Revenue Bond	$ 651,942	3.50%	$ 38,683	$ 22,803
2004 Revenue Bond	9,798,168	0.00%	597,530	4,780,235
2011 Revenue Bond	1,908,392	0.00%	95,420	1,293,136
Refunding Series 2013	1,122,433	2.25%	67,402 to 126,624	462,408
Total Revenue Bonds				$ 6,558,582

9. ***LONG-TERM DEBT (Continued)***

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

Business-Type Activities

Year Ending June 30,	Revenue Bonds Principal	Revenue Bonds Interest	Notes Principal	Notes Interest
2020	$ 842,376	$ 10,803	$ 31,531	$ 3,900
2021	791,530	7,555	31,531	2,952
2022	771,532	5,337	31,531	2,003
2023	773,259	3,569	31,531	1,055
2024	771,260	1,762	-	109
2025-2029	2,269,690	-	-	-
2030-2034	338,935	-	-	-
Totals	$ 6,558,582	$ 29,026	$ 126,124	$ 10,019

10. ***FUND BALANCES—GOVERNMENTAL FUNDS***

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints are presented below:

	General Fund	Non-major Governmental Funds	Total Governmental Funds
Non-spendable:			
Inventory	$ 5,253	$ -	$ 5,253
Total Non-spendable	5,253	-	5,253
Restricted:			
Capital projects	17,241	57,204	74,445
Cemetery	-	11,779	11,779
Parks, recreation, and cultural	547,743	-	547,743
Public safety	7,305	-	7,305
Total Restricted	572,289	68,983	641,272
Unassigned	5,095,439	-	5,095,439
Total Fund Balances	$ 5,672,981	$ 68,983	$ 5,741,964

11. ***DEFINED BENEFIT PENSION PLAN***

Plan Description

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

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

11. Defined Benefit Pension Plan *(Continued)*

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID
RETIREMENT PLAN</th></tr>
<tr><td>About Plan 1
Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</td><td>About Plan 2
Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</td><td>About the Hybrid Retirement Plan
The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.
• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</td></tr>
<tr><td>Eligible Members
Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013 and they have not taken a refund.

Hybrid Opt-In Election
VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.
The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.
If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an</td><td>Eligible Members
Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election
Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.
If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and</td><td>Eligible Members
Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
• Political subdivision employees*
• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014.

*Non-Eligible Members
Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members</td></tr>
</table>

11. Defined Benefit Pension Plan ***(Continued)***

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

11. Defined Benefit Pension Plan *(Continued)*

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

11. Defined Benefit Pension Plan ***(Continued)***

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

11. Defined Benefit Pension Plan *(Continued)*

(60 months) of creditable service or at age 50 with at least 30 years of creditable service. **Political subdivisions hazardous duty employees**: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**VRS**: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS**: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. **Political subdivisions hazardous duty employees**: 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS**: Age 60 with at least five years (60 months) of creditable service. **Political subdivisions hazardous duty employees**: Same as Plan 1.	**Earliest Reduced Retirement Eligibility** **<u>Defined Benefit Component:</u>** **VRS:** Age 60 with at least five years (60 months) of creditable service. **Political subdivision hazardous duty employees:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **<u>Eligibility:</u>** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%), for a maximum COLA of 3%. **<u>Eligibility:</u>** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **<u>Defined Benefit Component:</u>** Same as Plan 2. **<u>Defined Contribution Component:</u>** Not applicable. **<u>Eligibility:</u>** Same as Plan 1 and Plan 2.

11. Defined Benefit Pension Plan ***(Continued)***

<u>**Exceptions to COLA Effective Dates:**</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	<u>**Exceptions to COLA Effective Dates:**</u> Same as Plan 1.	<u>**Exceptions to COLA Effective Dates:**</u> Same as Plan 1 and Plan 2.
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** <u>**Defined Benefit Component:**</u> Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service.

11. Defined Benefit Pension Plan *(Continued)*

service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.		**<u>Defined Contribution Component:</u>** Not applicable.

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11. *DEFINED BENEFIT PENSION PLAN (Continued)*

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	71
Inactive members:	
Vested	9
Non-vested	36
Active elsewhere in VRS	33
Total inactive members	78
Active members	134
Total covered employees	283

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Town's contractually required contribution rate for the year ended June 30, 2019 was 10.44% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were $513,474 and $500,449 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

The Town's net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

11. ***DEFINED BENEFIT PENSION PLAN (Continued)***

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town's retirement plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Mortality rates:

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

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

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

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

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

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

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

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

11. *DEFINED BENEFIT PENSION PLAN (Continued)*

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 -- Non-Hazardous Duty:

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

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

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

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety Employees with Hazardous Duty Benefits in the Town's retirement plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

11. *DEFINED BENEFIT PENSION PLAN (Continued)*

Mortality rates:

Largest 10 – Hazardous Duty: 70% of deaths are assumed to be service related
Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

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

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

All Others (Non 10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service related
Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy annuitant Rates at ages 81 and older projected with scale BB To 2020; males 90% of rates; females set forward 1 year.

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 -- Non-Hazardous Duty:

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

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

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

11. *DEFINED BENEFIT PENSION PLAN (Continued)*

Long-Term Expected Rate of Return

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

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

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that system member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from June 30, 2015, actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

11. *DEFINED BENEFIT PENSION PLAN (Continued)*

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at June 30, 2017	$ 19,341,098	$ 18,038,054	$ 1,303,044
Changes for the year:			
Service cost	562,833	-	562,833
Interest	1,317,996	-	1,317,996
Benefit changes	1,686,531		1,686,531
Assumption Changes	-		-
Differences between expected and actual experience	459,568	-	459,568
Contributions - employer	-	415,580	(415,580)
Contributions - employee	-	208,601	(208,601)
Net investment income	-	1,324,041	(1,324,041)
Benefit payments, including refunds	(1,025,177)	(1,025,177)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(11,494)	11,494
Other changes	-	(1,176)	1,176
Net changes	3,001,751	910,375	2,091,376
Balance at June 30, 2018	$ 22,342,849	$ 18,948,429	$ 3,394,420

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

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

	1.00 % Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Net Pension Liability	$ 6,402,430	$ 3,394,420	$ 903,864

11. ***DEFINED BENEFIT PENSION PLAN (Continued)***

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

For the year ended June 30, 2019, the Town recognized pension expense of $1,680,018. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 347,751	$ 404,258
Changes of assumptions	-	154,244
Net difference between projected and actual earnings on pension plan investments	-	160,265
Employer contributions subsequent to the measurement date	513,474	-
Total	$ 861,225	$ 718,767

The $513,474 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ending June 30	Increase (Reduction) to Pension Expense
2020	$ (153,727)
2021	(81,168)
2022	(133,250)
2023	(2,871)
2024	-
Thereafter	-
	$ (371,016)

11. *DEFINED BENEFIT PENSION PLAN (Continued)*

Pension Plan Data
Information about the VRS Political Subdivision Retirement Plan's is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Pension Plan

At June 30, 2019, the Town reported a payable of $42,318 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

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

Plan Description

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

Benefits Provided
The Town provides post-employment medical coverage benefits for retired employees who are eligible for retirement benefits and meet one of the following requirements:

- Attain the age of 50 with at least 10 years of service with the Town
- Attain the age of 55 with at least 5 year of service with the Town

In addition, employees must meet one of the following Virginia Retirement System (VRS) retirement eligibility requirements in order to be eligible for benefits:

General Employees Plan 1
Plan 1 includes all members vested as of January 1, 2013.

- Attain age 50 with at least 10 years of service with VRS for reduced pension benefit, or
- Attain age 55 with at least 5 years of service with VRS for a reduced pension benefit, or
- Attain age 65 with at least 5 years of service with VRS for an unreduced pension benefit, or
- Attain age 50 with at least 30 years of service with VRS for an unreduced pension benefit.

General Employees Plan 2 and Hybrid Plan
Plan 2 includes all members not vested as of January 1, 2013, and members hired on or after July 1, 2010. The Hybrid Plan includes members hired on or after January 1, 2014 or by member election.

- Attain age 60 with at least 5 years of service with VRS for a reduced pension benefit, or
- Attain 90 points (age plus service) with VRS for an unreduced pension benefit, or
- Attain Social Security Normal Retirement Age with at least 5 year of service with VRS for an unreduced pension benefit

Public Safety Employees Plan 1 and Plan 2
Plan 1 includes members hired prior to January 1, 2014, while Plan 2 includes members hired on or after January 1, 2014. There is no Hybrid Plan for Virginia Law Officers.

- Attain age 50 with at least 5 years of service with VRS for reduced pension benefits, or
- Attain age 60 with at least 5 years of services with VRS for an unreduced pension benefit, or
- Attain age 50 with at least 25 years of service with VRS for an unreduced pension benefit.

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

Employees Covered by Benefit Terms

At June 30, 2019, the following employees were covered by the benefit terms:

	Number
Inactive members or their beneficiaries currently receiving benefits	5
Total inactive members	5
Active members	129
Total covered employees	134

Total OPEB Liability

The Town's Total OPEB Liability of $810,213 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2018.

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

Actuarial assumptions and other inputs. The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.00 percent per year
Healthcare cost trend rates	6.20 percent for 2019, 7.00 percent in 2020, then graded to 4.10% through fiscal year 2098.
Retirees' share of benefit-Related costs	100% of projected health insurance premiums for retirees

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

Mortality rates:

Pre-Retirement: RP-2014 Employee Rates at age 80. Healthy Annuitant Rates at ages 81 and older with Scale BB to 2020: Males set back 1 year 85% of rates and Females setback 1 year. 25% of deaths are assumed to be service related.

Post-Retirement: RP-2014 Employee Rates to age 49, Health Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; Females set back 1 year.

Post-Disablement: RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates

The actuarial assumptions used in the July 1, 2018 valuation are predominantly consistent with those used in the June 30, 2018 valuation of the Virginia Retirement System (General Employees Assumptions, Plan 1, Plan 2, and Hybrid Plan)

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

Changes in Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability--Balance at June 30, 2018	$ 949,543
Changes for the year:	
Service Cost	53,882
Interest	37,808
Changes of benefit terms	(217,060)
Differences between expected and actual experience	(8,072)
Changes in assumptions or other inputs	31,280
Benefit payments	(37,168)
Net change in OPEB Liability	(139,330)
Total OPEB Liability--Balance at June 30, 2019	$ 810,213

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87 percent in 2018 to 3.50 percent in 2019.

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

The following presents the Town's Total OPEB liability calculated using the discount rate of 3.50%. It also presents what the Town's OPEB Liability would be if it were calculated used a discount rate on percentage point lower (2.50%) and one percentage point higher (4.50%) than the current rate:

	1.00 % Decrease (2.50%)	Discount Rate (3.50%)	1.00% Increase (4.50%)
Total OPEB Liability	$ 901,540	$ 810,213	$ 728,727

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

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

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

	1.00 % Decrease in Trend Rate	Current Trend Rate	1.00% Increase in Trend Rate
Total OPEB Liability	$ 694,012	$ 810,213	$ 951,346

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

For the year ended June 30, 2019, the Town recognized OPEB expense of $(127,198). At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 7,063
Changes in assumptions or other inputs	27,370	23,646
Total	$ 27,370	$ 30,709

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

Year ended June 30	
2020	$ (1,828)
2021	(1,828)
2022	(1,828)
2023	(1,828)
2024	(1,829)
Thereafter	5,802
	$ (3,339)

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

Relationship Between Valuation Date, Measurement Date, and Reporting Date

The valuation date is July 1, 2018, which is the date the actuarial valuation is performed. The measurement date is June 30, 2019, which is the date the Town's Total OPEB Liability is determined. The reporting date is June 30, 2019, which is also the Town's fiscal year end date.

Significant Changes in Benefit Provisions Since Prior Valuation

The results disclosed in the Town's June 30, 2018 GASB 75 disclosure report included the liability associated with a $120 quarterly stipend the Town provided to eligible retirees through the end of fiscal 2018. Effective July 1, 2018, the retiree stipend was provided and administered by the Virginia Retirement System. Therefore, the liability associated with the stipend is not included in the Town's Total OPEB Liability as of June 30, 2019. As required by GASB 75, the liability decrease associated with this change has been immediately recognized in the fiscal 2019 OPEB expense.

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

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

Plan Descriptions

Group Life Insurance Program

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

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

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

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

General Employee Health Insurance Credit Program

The General Employee Health Insurance Credit Program (HIC) is available for all full time, salaried employees of local government entities other than Teachers. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death. The General Employee HIC OPEB plan is considered a multi-employer agent plan.

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

Specific information about the HIC OPEB plan is available at https://www.varetire.org/retirees/insurance/healthinscredit/index.asp

The Town began participating in the HIC program on November 1, 2018 and thus as of the June 30, 2017 actuarial valuation, there were no employees covered by the benefit terms of the HIC OPEB plan.

Line of Duty Act Program

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

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

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2017. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	*Code of Virginia* 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2019 Contribution	$ 26,719
June 30, 2018 Contribution	$ 26,767

General Employee Health Insurance Credit Program

Governed by:	*Code of Virginia* 51.1-1402 (E) and 51.1-508 and may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly.
Total rate:	0.26% of covered employee compensation.
June 30, 2019 Contribution	$ 8,909
June 30, 2018 Contribution	$ 0 (Town began participation on Nov 1, 2018)

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

Line of Duty Act Program

Governed by:	*Code of Virginia* 9-1-400.1 and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	$705.77 per covered full-time-equivalent employee. Based on pay-as-you-go funding rate.
June 30, 2019 Contribution	$ 17,644
June 30, 2018 Contribution	$ 14,184

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

The net OPEB liabilities were measured as of June 30, 2018 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities, except for LODA, were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. LODA proportion was determined based on pay-as-you-go employer contributions instead of actuarially determined contributions.

Group Life Insurance Program

June 30, 2018 proportionate share of liability	$ 411,000
June 30, 2018 proportion	0.02707 %
June 30, 2017 proportion	0.02963 %
June 30, 2018 expense	$ (5,000)

Line of Duty Act Program

June 30, 2018 proportionate share of liability	$ 417,000
June 30, 2018 proportion	0.13317 %
June 30, 2017 proportion	0.13678 %
June 30, 2018 expense	$ 33,000

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

At June 30, 2019, the Town of Abingdon reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

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

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 20,000	$ 8,000
Changes of assumptions	-	17,000
Net difference between projected and actual earnings on OPEB plan investments	-	13,000
Changes in proportion	-	43,000
Employer contributions subsequent to the measurement date	26,719	-
Total	$ 46,719	$ 81,000

General Employee Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	8,909	-
Total	$ 8,909	$ -

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

Line of Duty Act Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 60,000	$ -
Changes of assumptions	-	48,000
Net difference between projected and actual earnings on OPEB plan investments	-	1,000
Changes in proportion	9,000	9,000
Employer contributions subsequent to the measurement date	17,644	-
Total	$ 86,644	$ 58,000

The deferred outflows of resources related to OPEB resulting from the Town of Abingdon's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program

Year Ending June 30	Increase (Reduction) to OPEB Expense
2020	$ (14,000)
2021	(14,000)
2022	(14,000)
2023	(10,000)
2024	(9,000)
Thereafter	-
	$ (61,000)

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

Line of Duty Act Program

Year Ending June 30		Increase (Reduction) to OPEB Expense
2020	$	1,000
2021		1,000
2022		1,000
2023		1,000
2024		1,000
Thereafter		6,000
	$	11,000

Actuarial Assumptions and Other Inputs

Inflation	2.5%
Salary increases, including inflation:	
• Locality- general employees	3.5 – 5.35%
• Locality – hazardous duty employees	3.5 – 4.75%
Healthcare cost trend rates:	
• Under age 65	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%
Investment rate of return, net of expenses, including inflation*	GLI & HIC 7.0%; LODA 3.89%

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

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

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

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

Changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2017 actuarial valuation results which were rolled forward to the measurement date of June 30, 2018. There was no current actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes, available at https://www.vml.org/wp-content/uploads/2017/06/SummaryChangesHB1345_LODA02.12.16.pdf and https://www.varetire.org/pdf/publications/legislative-summary-2017.pdf , will be factored into future actuarial valuations for the LODA Program.

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Line of Duty Act Program
Total OPEB Liability	$ 3,113,508	$ 315,395
Plan fiduciary net position	1,594,773	1,889
Employers' net OPEB liability (asset)	$ 1,518,735	$ 313,506
Plan fiduciary net position as a percentage of total OPEB liability	51.22%	0.60%

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

Long-Term Expected Rate of Return

Group Life Insurance and Health Insurance Credit Program

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

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

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

Long-Term Expected Rate of Return ***(Continued)***

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

Line of Duty Act Program

The long-term expected rate of return on the LODA Program's investments was set at 3.56% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS pooled investments 7.00% assumption noted above. Instead, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return. The Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2018.

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities was 7.00%. The discount rate used to measure the LODA OPEB liability was 3.89% The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

The following presents the net OPEB liabilities of the Town of Abingdon, as well as what the Town's net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (6.00% GLI & HIC/2.89% LODA) or one percentage point higher (8.00% GLI & HIC/4.89% LODA) than the current discount rate:

	1.00 % Decrease	Current Discount Rate	1.00% Increase
	(6.00%)	(7.00%)	(8.00%)
GLI Net OPEB Liability	$ 537,000	$ 411,000	$ 308,000
HIC Net OPEB Liability	$ -	$ -	$ -
	(2.89%)	(3.89%)	(4.89%)
LODA Net OPEB Liability	$ 478,000	$ 417,000	$ 368,000

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

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

	1.00% Decrease (6.75% decreasing to 4.00%)	Current Healthcare Cost Trend Rates (7.75% decreasing to 5.00%)	1.00% Increase (8.75% decreasing to 6.00%)
Net LODA OPEB Liability	$ 355,000	$ 417,000	$ 494,000

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the OPEB Plan

At June 30, 2019, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to June 2019 payroll.

- Group Life Insurance $5,564
- General Employee HIC 1,104

14. *SUMMARY OF PENSION AND OTHER POSTEMPLOYMNET BENEFIT ELEMENTS*

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

	Governmental Activities	Business-Type Activities	Total Primary Government
Deferred outflows of resources - Related to Pensions			
Deferred inflow-Differences in expected/ actual and assumptions			
VRS-Defined Benefit Pension Plan	$ 295,588	$ 52,163	$ 347,751
Deferred outflow-Contributions after the measurement date			
VRS-Defined Benefit Pension Plan	436,453	77,021	513,474
Total deferred outflow of resources - Pensions	$ 732,041	$ 129,184	$ 861,225
Deferred outflows of resources - OPEB			
Deferred outflow-Differences in expected/ actual and assumptions			
VRS-LODA	$ 69,000	$ -	$ 69,000
VRS-GLI-OPEB Program	16,000	4,000	20,000
Local Health-Single Agent-Defined benefit	22,170	5,200	27,370
Deferred outflow-Contributions after the measurement date			
VRS-LODA-OPEB Program	17,644	-	17,644
VRS-HIC-OPEB Program	8,909	-	8,909
VRS-GLI-OPEB Program	21,375	5,344	26,719
Total deferred outflow of resources - OPEB	$ 155,098	$ 14,544	$ 169,642
Net pension liability			
VRS-Defined Benefit Pension Plan	$ 2,885,257	$ 509,163	$ 3,394,420
Total net pension liability	$ 2,885,257	$ 509,163	$ 3,394,420
Net OPEB liability			
Local Health	$ 656,273	$ 153,940	$ 810,213
VRS-LODA	417,000	-	417,000
VRS-GLI	328,800	82,200	411,000
Total net OPEB liability	$ 1,402,073	$ 236,140	$ 1,638,213
Deferred inflows of resources - Related to Pensions			
Deferred inflow-Differences in expected/ actual and assumptions			
VRS-Defined Benefit Pension Plan	$ 610,952	$ 107,815	$ 718,767
Total deferred inflow of resources - Pensions	$ 610,952	$ 107,815	$ 718,767
Deferred inflows of resources - OPEB			
Deferred inflows-Differences in expected/actual and assumptions			
VRS-LODA-Cost Sharing-Multiple-Employer	$ 58,000	$ -	$ 58,000
VRS-GLI-Cost Sharing-Multiple-Employer	64,800	16,200	81,000
Deferred inflow-Differences in expected/actual and assumptions			
Local Health-Single Agent-Defined benefit	24,874	5,835	30,709
Total deferred inflow of resources - OPEB	$ 147,674	$ 22,035	$ 169,709

15. *TAX ABATEMENTS*

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

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

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

For the year ended June 30, 2019, the Town abated taxes as follows:

Tax Abatement Program	Amount Abated
Rehabilitation Tax Exemption	$ 31,137
Historic District Tax Abatement	8,795

16. *COMMITMENTS AND CONTINGENCIES*

Litigation
The Town is contingently liable with respect to lawsuits and other claims, which arise in the ordinary course of operations. It is the opinion of Town management and the Town Attorney that any losses not covered by insurance, which may ultimately be incurred as a result of the suits and claims, will not be material to the financial position of the Town.

Commitment
The Town received a donation of $2,289,700 from a local business for the purchase of 40.74 acres of land for the purpose of developing a sports complex facility. The Town purchased the land in December 2015. This land was part of a 76.46 acre site that the local business researched, agreed to overall payment terms with the seller, and then brought to the Town. The Town joined the transaction as an assignee, agreeing to acquire the 40.74 acres previously mentioned with the proceeds of the donation from the local business. The local business purchased the adjoining 35.72 acres of land for retail development. The Town has agreed to complete certain infrastructure assets necessary for the construction of the sports complex facility and the retail development.

17. *RISK MANAGEMENT*

The risk management of the Town is as follows:

General Liability and Other
The Town has purchased commercial property insurance through the Huron Insurance Company. General liability coverage was secured through Harleysville Insurance Company.

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

Surety Bonds
The Town has a Surety Blanket Bond in the amount of $1,000,000 with USF&G insurance company.

18. *PRIOR PERIOD ADJUSTMENT TO FUND BALANCE*

Prior Period Adjustments to Fund Balance
The financial accounting process for the June 30, 2019 fiscal year indicated that amounts previously reported under the Electronic Village Fund as governmental special revenues were misclassified as such, and that these funds should be reported as activities of the General Fund as their designated purpose was for the furtherance of general fund activities. The prior fund balance has been removed with a prior period adjustment from the Special Revenue classification and correctly reported as part of the General Fund as of June 30, 2019.

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

	General Fund	Electronic Village Fund
Beginning Fund Balance at July 1, 2018	$ 5,170,367	$ (93,914)
Reclass from Special Revenue to General	(93,914)	93,914
Adjusted Fund Balance at July 1, 2018	$ 5,076,453	$ -

19. *SUBSEQUENT EVENTS*

On October 30, 2019, the Town of Abingdon issued General Obligation Refunding Bond Series 2019 in the amount of $7,500,000. This bond is issued to provide funds, together with other funds that may be available, to refund a portion of the General Obligation Bond, Series 2016, issued by the Town in the original amount of $10,000,000 and to pay the cost of issuing this bond.

20. *NEW ACCOUNTING PRONOUNCEMENTS*

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

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

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

21. *FUTURE ACCOUNTING PRONOUNCEMENTS*

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. Management has not yet evaluated their effect on the Town's financial report.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The requirements of this statement should be applied prospectively.

Statement No. 90, *Majority Equity Interests–An Amendment of GASB Statements No. 14 and No. 61)*, defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

TOWN OF ABINGDON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2019

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	$ 562,833	$ 498,793	$ 485,771	$ 487,115	$ 496,315
Interest	1,317,996	1,308,047	1,249,531	1,244,997	1,178,764
Changes of benefit terms	1,686,531	-	-	-	-
Differences between expected and actual experience	459,568	(423,509)	(85,461)	(935,088)	-
Changes in assumptions	-	(284,406)	-	-	-
Benefit payments, including refunds of employee contributions	(1,025,177)	(888,423)	(739,385)	(725,110)	(732,689)
Net change in total pension liability	3,001,751	210,502	910,456	71,914	942,390
Total pension liability - beginning	19,341,098	19,130,596	18,220,140	18,148,226	17,205,836
Total pension liability - ending	$ 22,342,849	$ 19,341,098	$ 19,130,596	$ 18,220,140	$ 18,148,226
Plan fiduciary net position					
Contributions - employer	$ 415,580	$ 345,847	$ 446,529	$ 436,232	$ 484,889
Contributions - employee	208,601	271,557	280,345	260,646	263,590
Net investment income	1,324,041	1,983,557	283,492	708,070	2,101,401
Benefit payments, including refunds of employee contributions	(1,025,177)	(888,423)	(739,385)	(725,110)	(732,689)
Administrative expense	(11,494)	(11,494)	(9,853)	(9,567)	(11,213)
Other	(1,176)	(1,763)	(119)	(152)	110
Net change in total pension liability	910,375	1,699,281	261,009	670,119	2,106,088
Total pension liability - beginning	18,038,054	16,338,773	16,077,764	15,407,645	13,301,557
Total pension liability - ending	$ 18,948,429	$ 18,038,054	$ 16,338,773	$ 16,077,764	$ 15,407,645
Town's net pension liability - ending	$ 3,394,420	$ 1,303,044	$ 2,791,823	$ 2,142,376	$ 2,740,581
Plan fiduciary net position as a percentage of the total pension liability	84.81%	93.26%	85.41%	88.24%	84.90%
Covered - employee payroll	$ 5,147,591	$ 5,397,697	$ 5,467,229	$ 5,154,890	$ 5,207,804
Town's net pension liability as a percentage of covered-employee payroll	65.94%	24.14%	51.06%	41.56%	52.62%

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

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

Fiscal Year	Contractually Required Contribution	Contributions Related to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2019	$ 513,474	$ 513,474	$ -	$ 5,134,606	10.00%
2018	$ 500,449	$ 500,449	$ -	$ 5,147,591	9.72%
2017	$ 344,652	$ 344,652	$ -	$ 5,397,697	6.39%
2016	$ 392,213	$ 392,213	$ -	$ 5,467,229	7.17%
2015	$ 437,062	$ 437,062	$ -	$ 5,154,890	8.48%
2014	$ 484,889	$ 484,889	$ -	$ 5,207,804	9.31%
2013	$ 766,806	$ 766,806	$ -	$ 5,370,500	14.28%
2012	$ 593,883	$ 593,883	$ -	$ 5,321,773	11.16%
2011	$ 559,371	$ 559,371	$ -	$ 5,101,601	10.96%
2010	$ 516,371	$ 516,371	$ -	$ 4,725,709	10.93%

The notes to required supplementary information are an integral part of this statement.

TOWN OF ABINGDON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
June 30, 2019

	Plan Year	
	2019	2018
	Local Plan	Local Plan
Total OPEB liability		
Service cost	$ 53,882	$ 76,104
Interest	37,808	33,851
Changes of benefit terms	(217,060)	-
Differences between expected and actual experience	(8,072)	-
Changes in assumptions	31,280	(33,104)
Benefit payments, including refunds of employee contributions	(37,168)	(36,398)
Net change in total OPEB liability	(139,330)	40,453
Total OPEB liability - beginning	949,543	909,090
Total OPEB liability - ending	$ 810,213	$ 949,543
Covered - employee payroll	$ 5,273,134	$ 5,489,100
Total OPEB liability as a percentage of covered-employee payroll	15.36%	17.30%

1) Fiscal year 2018 was the first year of GASB 75 implementation; therefore only two years are shown herein.

Notes to Schedule:

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

2019	3.500%
2018	3.870%
2017	3.500%

TOWN OF ABINGDON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
June 30, 2019

Entity Fiscal Year	Contractually Required Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
VRS HEALTH INSURANCE CREDIT GENERAL EMPLOYEES					
2019	$ 8,909	$ 8,909	$ -	$ 3,426,411	0.26%

Schedule is intended to show information for 10 years. Since 2019 was the first year the Town participated in the VRS HIC OPEB program, only one year of data is available. Additional years will be included as they become available.

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

TOWN OF ABINGDON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY

June 30, 2019

* Fiscal Year Ended 30-Jun	Employer's Portion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as % of its Covered Payroll	Plan Fiduciary Net Position as a % of the Total OPEB Liability
VRS-Group Life Insurance-General Employees					
2019	0.02707%	$ 411,000	$ 5,147,591	7.98%	51.22%
2018	0.02963%	446,000	5,465,642	8.16%	48.86%
VRS- Line of Duty Act (LODA)					
2019	0.13317%	$ 417,000	$ 1,287,698	32.38%	0.60%
2018	0.13678%	359,000	1,335,385	26.88%	1.30%

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

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

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

The notes to required supplementary information are an integral part of this statement.

TOWN OF ABINGDON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
June 30, 2019

Fiscal Year	Contractually Required Contribution	Contributions Related to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
VRS-Group Life Insurance-General Employees					
2019	$ 26,719	$ 26,719	$ -	$ 5,138,216	0.52%
2018	26,767	26,767	-	5,147,591	0.52%
VRS- Line of Duty Act					
2019	$ 17,644	$ 17,644	$ -	$ 1,220,250	1.45%
2018	14,184	14,184	-	1,287,698	1.10%

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

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

TOWN OF ABINGDON, VIRGINIA
Notes to Required Supplementary Information
June 30, 2019

Note 1. Change of benefit terms

Pension

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

Other Postemployment Benefits (OPEB)

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

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

Largest 10 -- Non-Hazardous Duty:

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

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

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

Largest 10 -- Hazardous Duty/Public Safety Employees:

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

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

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

TOWN OF ABINGDON, VIRGINIA
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Capital Projects		Permanent Fund	
	Capital Reserve Fund	Rehabilitation Fund	Cemetery Fund	Total Non-major Governmental Funds
ASSETS				
Cash and cash equivalents - restricted	$ 43,389	$ 14,533	$ 27,597	$ 85,519
Receivables (net of any allowance for uncollectibles):				
Accrued interest	-	-	10	10
Due from other funds	-	-	-	-
Due from other governmental units	-	-	-	-
TOTAL ASSETS	$ 43,389	$ 14,533	$ 27,607	$ 85,529
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ -	$ -	$ 14,731	$ 14,731
Accrued liabilities	-	-	-	-
Due to other funds	-	718	1,097	1,815
Total Liabilities	-	718	15,828	16,546
FUND BALANCES:				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Capital Projects	43,389	13,815	-	57,204
Parks, recreation, and cultural	-	-	11,779	11,779
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	43,389	13,815	11,779	68,983
TOTAL LIABILITIES AND FUND BALANCES	$ 43,389	$ 14,533	$ 27,607	$ 85,529

TOWN OF ABINGDON, VIRGINIA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2019

	Special Revenue	Capital Projects		Permanent Fund	
	Electronic Village	Capital Reserve Fund	Rehabilitation Fund	Cemetery Fund	Total Non-major Governmental Funds
REVENUES:					
Revenue from use of money and property	$ -	$ 1,027	$ 8	$ 52	$ 1,087
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Total Revenues	-	1,027	8	52	1,087
EXPENDITURES:					
Current:					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health and welfare	-	-	-	-	-
Parks, recreation, and cultural	-	-	-	-	-
Community development	-	-	-	-	-
Total Expenditures	-	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	1,027	8	52	1,087
OTHER FINANCING SOURCES (USES):					
Transfers in (out)	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balance	-	1,027	8	52	1,087
PRIOR PERIOD ADJUSTMENT	93,914	-	-	-	93,914
FUND BALANCE AT JULY 1	(93,914)	42,362	13,807	11,727	(26,018)
FUND BALANCE AT JUNE 30	$ -	$ 43,389	$ 13,815	$ 11,779	$ 68,983

STATISTICAL SECTION

The information in this section is not audited, but is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

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

TABLE 1

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	$ 14,220,491	$ 16,158,134	$ 15,560,598	$ 16,231,378	$ 14,352,648	$ 15,813,168	$ 19,563,963	$ 19,320,316	$ 20,451,727	$ 22,466,371
Restricted	-	-	-	-	-	-	-	139,425	138,673	641,272
Unrestricted	10,389,148	9,753,516	11,658,788	9,715,284	8,527,798	4,218,991	1,888,123	1,968,338	1,481,553	749,399
Total governmental activities net position	24,609,639	25,911,650	27,219,386	25,946,662	22,880,446	20,032,159	21,452,086	21,428,079	22,071,953	23,857,042
Business-type activities										
Net investment in capital assets	1,759,259	2,102,664	2,016,562	2,250,767	2,268,580	2,517,019	3,130,624	3,296,488	3,498,859	3,920,784
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	2,186,168	2,434,972	2,538,264	2,241,843	2,697,500	2,242,548	2,885,392	3,205,423	3,078,233	2,902,656
Total business-type activities	3,945,427	4,537,636	4,554,826	4,492,610	4,966,080	4,759,567	6,016,016	6,501,911	6,577,092	6,823,440
Primary government										
Net investment in capital assets	15,979,750	18,260,798	17,577,160	18,482,145	16,621,228	18,330,187	22,694,587	22,616,804	23,950,586	26,387,155
Restricted	-	-	-	-	-	-	-	139,425	138,673	641,272
Unrestricted	12,575,316	12,188,488	14,197,052	11,957,127	11,225,298	6,461,539	4,773,515	5,173,761	4,559,786	3,652,055
Total primary government net position	$ 28,555,066	$ 30,449,286	$ 31,774,212	$ 30,439,272	$ 27,846,526	$ 24,791,726	$ 27,468,102	$ 27,929,990	$ 28,649,045	$ 30,680,482

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

TABLE 2

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental Activities:										
General government	$ 1,681,098	$ 1,570,248	$ 1,744,308	$ 1,660,958	$ 1,581,298	$ 1,583,573	$ 2,541,643	$ 2,437,414	$ 2,278,330	$ 2,434,231
Public safety	2,509,959	2,479,291	2,731,628	2,736,487	2,759,998	2,728,805	2,667,792	2,920,360	2,809,797	4,123,159
Public works	3,490,984	3,730,162	3,388,845	3,841,342	3,529,042	3,715,968	2,868,606	2,737,484	2,661,221	3,467,788
Health and welfare	2,893	2,856	3,426	5,833	6,857	264,880	65,636	37,519	38,928	35,947
Parks, recreation, and culturE	2,157,262	2,563,043	2,364,963	2,379,502	1,159,585	2,219,947	3,182,023	3,058,604	2,896,160	3,426,901
Community development	1,890,748	2,058,678	2,779,418	2,237,820	5,515,308	2,220,759	1,482,812	1,298,975	1,112,417	1,019,371
Interest on long-term debt	157,862	105,630	90,996	66,425	113,678	116,242	104,489	94,281	98,028	123,726
.	162,024	108,400	172,396	238,884	152,443	258,510	135,187	74,874	83,017	73,813
Total government activities expense	12,052,830	12,618,308	13,275,980	13,167,251	14,818,209	13,108,684	13,048,188	12,659,511	11,977,898	14,704,936
Business-Type Activities:										
Wastewater	2,841,104	3,068,020	3,065,046	3,088,359	2,731,185	2,663,324	2,523,852	2,661,341	2,796,247	3,091,420
Total business-type activities expenses	2,841,104	3,068,020	3,065,046	3,088,359	2,731,185	2,663,324	2,523,852	2,661,341	2,796,247	3,091,420
Total primary government expenses	$ 14,893,934	$ 15,686,328	$ 16,341,026	$ 16,255,610	$ 17,549,394	$ 15,772,008	$ 15,572,040	$ 15,320,852	$ 14,774,145	$ 17,796,356
Program Revenues										
Governmental Activities:										
Charges for services										
Public safety	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 28,505	$ 24,848	$ 9,727
Public works	334,577	190,709	342,103	353,943	388,670	369,912	346,394	361,054	408,613	419,277
Parks, recreation, and culture	447,700	471,311	457,742	415,470	417,119	436,640	441,508	442,265	457,433	465,227
Community development	42,573	30,992	29,187	20,200	18,014	14,390	16,163	13,864	12,240	9,537
Operating grants and contributions	2,184,325	2,095,675	2,029,874	1,738,259	1,960,808	2,460,379	1,829,418	1,916,785	1,966,946	3,161,727
Capital grants and contributions	65,229	-	255,857	218,252	32,074	696,721	330,061	142,465	1,091,684	2,270,745
Total governmental activities program revenues	3,074,404	2,788,687	3,114,763	2,746,124	2,816,685	3,978,042	2,963,544	2,904,938	3,961,764	6,336,240
Business-Type Activities:										
Charges for services										
Wastewater	2,575,312	3,078,006	3,074,637	3,018,276	3,244,042	2,966,165	3,161,540	3,135,579	3,041,260	3,299,129
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	527,000	-	-	-	-	100,000	-	-	-
Total business-type activities program revenues	2,575,312	3,605,006	3,074,637	3,018,276	3,244,042	2,966,165	3,261,540	3,135,579	3,041,260	3,299,129
Total primary government program revenues	$ 5,649,716	$ 6,393,693	$ 6,189,400	$ 5,764,400	$ 6,060,727	$ 6,944,207	$ 6,225,084	$ 6,040,517	$ 7,003,024	$ 9,635,369
Net (Expense)/Revenue										
Governmental Activities	$ (8,978,426)	$ (9,829,621)	$ (10,161,217)	$ (10,421,127)	$ (12,001,524)	$ (9,130,642)	$ (10,084,644)	$ (9,754,573)	$ (8,016,134)	$ (8,368,696)
Business-Type Activities	(265,792)	536,986	9,591	(70,083)	512,857	302,841	737,688	474,238	245,013	207,709
Total primary government net (expense)/revenue	$ (9,244,218)	$ (9,292,635)	$ (10,151,626)	$ (10,491,210)	$ (11,488,667)	$ (8,827,801)	$ (9,346,956)	$ (9,280,335)	$ (7,771,121)	$ (8,160,987)

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Revenues and other Changes in Net Position										
Governmental Activities:										
Taxes	$ 9,382,912	$ 8,612,759	$ 8,714,572	$ 8,232,362	$ 8,443,512	$ 8,854,836	$ -	$ -	$ -	$ -
Property taxes							2,747,145	2,657,010	2,802,195	2,899,882
Local sales & use tax							461,012	492,287	494,985	488,092
Utility tax							81,420	82,728	84,375	84,167
Business license tax							943,751	877,549	839,908	838,602
Franchise license tax							66,535	63,036	77,917	60,555
Communication tax							117,391	114,150	110,756	102,749
Motor vehicle license							123,503	158,206	145,434	158,944
Bank stock tax							543,899	565,666	565,205	618,639
Cigarette tax							107,913	239,579	276,615	256,458
Hotel and motel room tax							812,441	832,691	856,812	896,562
Restaurant food tax							2,993,280	2,953,594	3,026,101	3,038,690
Unrestricted intergovernmental revenue	39,193	46,820	61,433	60,278	46,392	56,435	61,376	65,291	68,533	66,870
Unrestricted investment earnings	113,297	103,815	56,542	47,688	41,808	42,940	33,300	36,580	39,828	76,662
Rental of Town property	-	-	-	-	-	-	5,821	3,600	3,600	4,825
Recovered cost	-	-	-	-	-	-	-	-	31,894	1,594
Gain(loss) on sale of capital assets	-	2,058,727	2,233,711	-	-	-	-	8,452	(2,560)	58,064
Other	255,026	309,510	528,295	479,636	403,595	300,021	2,910,734	577,147	355,854	502,430
Transfers	-	-	-	-	-	-	-	-	-	-
Total governmental activities	9,790,428	11,131,631	11,594,553	8,819,964	8,935,307	9,254,232	12,009,521	9,727,566	9,777,452	10,153,785
Business-Type Activities:										
Unrestricted investment earnings	15,314	17,223	7,599	7,868	4,719	3,553	6,031	11,657	19,710	38,639
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	15,314	17,223	7,599	7,868	4,719	3,553	6,031	11,657	19,710	38,639
Total primary government	$ 9,805,742	$ 11,148,854	$ 11,602,152	$ 8,827,832	$ 8,940,026	$ 9,257,785	$ 12,015,552	$ 9,739,223	$ 9,797,162	$ 10,192,424
Change in Net Position										
Governmental Activities	$ 812,002	$ 1,302,010	$ 1,433,336	$ (1,601,163)	$ (3,066,217)	$ 123,590	$ 1,924,877	$ (27,007)	$ 1,761,318	$ 1,785,089
Business-Type Activities	(250,478)	554,209	17,190	(62,215)	517,576	306,394	743,719	485,895	264,723	246,348
Total primary government	$ 561,524	$ 1,856,219	$ 1,450,526	$ (1,663,378)	$ (2,548,641)	$ 429,984	$ 2,668,596	$ 458,888	$ 2,026,041	$ 2,031,437

1) Trend data is only available for the last TEN fiscal years due to implementation of GASB 34

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	$ 750	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved	9,452,318	-	-	-	-	-	-	-	-	-
Nonspendable	-	750	1,250	1,500	1,500	101,045	111,657	4,006	5,858	5,253
Restricted	-	700,493	-	-	-	-	-	72,214	70,777	572,289
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	8,858,260	10,600,010	8,830,335	7,174,706	5,769,280	4,957,351	4,926,546	5,093,732	5,095,439
Total general fund	$ 9,453,068	$ 9,559,503	$ 10,601,260	$ 8,831,835	$ 7,176,206	$ 5,870,325	$ 5,069,008	$ 5,002,766	$ 5,170,367	$ 5,672,981
All Other Governmental Funds										
Reserved	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Special Revenue fund	1,272,963	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	76,162	1,458,028	1,241,477	1,279,038	965,255	66,831	67,211	67,896	68,983
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(67,292)	(52,902)	(63,539)	(77,942)	(93,914)	-
Total all other governmental funds	$ 1,272,963	$ 76,162	$ 1,458,028	$ 1,241,477	$ 1,211,746	$ 912,353	$ 3,292	$ (10,731)	$ (26,018)	$ 68,983

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

TABLE 4

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
General property taxes	$ 3,412,150	$ 2,529,150	$ 2,517,084	$ 2,582,994	$ 2,591,889	$ 2,584,556	$ 2,693,882	$ 2,699,105	$ 2,790,671	$ 2,862,820
Other local taxes	5,869,947	6,100,700	6,190,262	5,626,683	5,890,975	6,229,713	6,251,145	6,379,486	6,478,108	6,543,458
Permits and licenses	20,084	20,758	13,684	37,762	21,725	14,238	29,348	18,650	15,322	50,076
Fines and forfeitures	26,571	31,152	49,097	71,766	51,611	42,139	31,051	33,959	28,112	17,946
Investment earnings	113,297	103,815	56,542	47,688	41,808	42,940	39,121	40,180	43,428	81,487
Charges for services	824,850	693,012	829,032	789,613	823,803	820,942	804,065	845,688	903,134	903,768
Other revenues	8,150	72,230	220,084	60,169	150,083	27,584	2,568,021	293,099	268,987	394,038
Recovered cost	200,220	185,370	245,431	309,939	180,175	216,060	158,196	175,088	31,894	1,594
Intergovernmental	2,288,748	2,142,495	2,347,164	2,016,788	2,039,274	3,213,533	2,220,855	2,124,541	3,127,163	5,499,342
Total revenues	12,764,017	11,878,682	12,468,380	11,543,402	11,791,343	13,191,705	14,795,684	12,609,796	13,686,819	16,354,529
Expenditures										
General government	1,577,449	1,480,612	1,687,563	1,652,003	1,470,759	1,592,285	2,603,469	2,462,276	2,544,461	2,297,229
Public safety	2,367,422	2,283,745	2,483,125	2,497,255	2,610,797	3,253,764	2,562,188	2,830,596	2,856,972	3,726,692
Public works	3,243,545	3,564,703	3,257,329	3,677,910	3,467,668	3,567,118	2,962,420	2,674,970	2,839,549	3,235,037
Health and welfare	2,893	2,856	3,426	5,833	6,857	6,285	65,636	37,519	38,928	35,947
Parks, recreation, and culture	2,329,850	2,363,492	2,305,565	2,298,874	2,427,584	2,291,793	3,288,799	3,018,181	2,745,573	2,612,269
Community development	1,613,257	1,950,407	2,370,336	2,572,550	3,757,827	2,099,266	1,434,039	1,243,488	1,227,791	1,266,510
Contingencies	162,024	138,671	172,396	238,884	152,442	258,510	143,458	74,874	83,017	73,813
Capital projects	931,778	87,599	298,925	604,659	453,073	1,824,652	2,289,700	123,356	2,793,659	4,431,161
Debt service										
Principal	509,262	2,830,875	566,761	519,849	1,756,694	568,136	569,563	545,535	462,664	588,699
Interest	-	-	-	-	-	-	110,969	97,631	97,020	122,074
Total expenditures	12,737,480	14,702,960	13,145,426	14,067,817	16,103,701	15,461,809	16,030,241	13,108,426	15,689,634	18,389,431
Excess of revenues over (under) expenditures	26,537	(2,824,278)	(677,046)	(2,524,415)	(4,312,358)	(2,270,104)	(1,234,557)	(498,630)	(2,002,815)	(2,034,902)
Other Financing Sources (Uses)										
Proceeds from sale of assets	-	2,070,000	2,233,711	-	-	-	7,234	7,037	14,240	189,160
Proceeds from borrowing	182,033	155,870	375,000	210,000	2,600,000	691,827	78,300	70,133	29,189	40,374
Insurance Recoveries	-	-	-	-	-	-	116,884	341,195	2,111,700	2,402,983
Transfers in (out)	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	182,033	2,225,870	2,608,711	210,000	2,600,000	691,827	202,418	418,365	2,155,129	2,632,517
Net change in fund balance	$ 208,570	$ (598,408)	$ 1,931,665	$ (2,314,415)	$ (1,712,358)	$ (1,578,277)	$ (1,032,139)	$ (80,265)	$ 152,314	$ 597,615
Debt service as a percentage of noncapital expenditures	4.16%	23.84%	4.51%	3.84%	12.24%	3.81%	4.43%	5.16%	4.54%	5.37%

TABLE 5

TOWN OF ABINGDON, VIRGINIA
ASSESSED VALUE AND ACTUAL VALUE OF ALL PROPERTY (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Years Ended June 30	Real Estate	Personal Property	Machinery and Tools	Public Utilities Real Estate	Public Utilities Personal Property	Mobile Homes	Total Assessed Value	Total Direct Tax rate per $100
2019	$ 766,949,200	$ 88,263,597	$ 3,734,135	$ 28,395,255	$ 73,657	$ 895,799	$ 888,311,643	0.322
2018	$ 766,009,000	$ 84,475,328	$ 3,532,855	$ 25,338,387	$ 87,847	$ 886,601	$ 880,330,018	0.317
2017	$ 770,852,000	$ 87,360,615	$ 3,762,980	$ 23,936,753	$ 93,948	$ 827,012	$ 886,833,308	0.304
2016	$ 743,344,400	$ 91,104,836	$ 3,808,370	$ 23,829,224	$ 9,415	$ 729,889	$ 862,826,134	0.312
2015	$ 743,196,200	$ 93,673,085	$ -	$ 23,163,478	$ 88,963	$ 824,487	$ 860,946,213	0.300
2014	$ 734,838,050	$ 83,957,974	$ -	$ 23,201,748	$ 15,008	$ 810,190	$ 842,822,970	0.308
2013	$ 727,851,320	$ 83,025,635	$ -	$ 22,196,429	$ 424,726	$ 818,381	$ 834,316,491	0.310
2012	$ 715,761,300	$ 82,036,905	$ -	$ 22,196,195	$ 424,726	$ 1,021,085	$ 821,440,211	0.306
2011	$ 711,246,000	$ 92,449,693	$ -	$ 22,448,202	$ 406,945	$ 1,062,490	$ 827,613,330	0.306
2010	$ 644,346,200	$ 78,322,505	$ -	$ 21,519,981	$ 406,945	$ 759,626	$ 745,355,257	0.458

1) Property is assessed at actual value therefore the assessed values are equal to actual value.

TABLE 6

TOWN OF ABINGDON, VIRGINIA
DIRECT AND OVERLAPPING PROPERTY TAX RATES (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Years Ended June 30	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Public Utilities Real Estate	Public Utilities Personal Property	Overlapping Rates Washington County Real Estate	Overlapping Rates Washington County Personal Property
2019	$ 0.28	$ 0.76	$ 0.76	$ 0.28	$ 0.28	$ 0.76	$ 0.63	$ 1.70
2018	$ 0.28	$ 0.76	$ 0.76	$ 0.28	$ 0.28	$ 0.76	$ 0.63	$ 1.70
2017	$ 0.28	$ 0.55	$ 0.55	$ 0.28	$ 0.28	$ 0.55	$ 0.63	$ 1.70
2016	$ 0.28	$ 0.55	$ 0.55	$ 0.28	$ 0.28	$ 0.55	$ 0.63	$ 1.70
2015	$ 0.28	$ 0.55	$ 0.55	$ 0.28	$ 0.28	$ 0.55	$ 0.63	$ 1.70
2014	$ 0.28	$ 0.55	$ 0.55	$ 0.28	$ 0.28	$ 0.55	$ 0.63	$ 1.70
2013	$ 0.28	$ 0.55	$ 0.55	$ 0.28	$ 0.28	$ 0.55	$ 0.63	$ 1.70
2012	$ 0.28	$ 0.55	$ 0.55	$ 0.28	$ 0.28	$ 0.55	$ 0.63	$ 1.70
2011	$ 0.28	$ 0.55	$ 0.55	$ 0.28	$ 0.28	$ 0.55	$ 0.63	$ 1.70
2010	$ 0.28	$ 0.55	$ 0.55	$ 0.28	$ 0.28	$ 0.55	$ 0.63	$ 1.70

1) Rates are presented per $100 assessed value

TABLE 7

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

June 30, 2019:

Name	Nature of Business	Assessed Value	Percent of Real Estate Levy
K-VA-T Food Stores, Inc	Retail	$ 18,590,300	27.85%
DMD LLC	Rental Real Estate-Apartments	11,677,900	17.49%
Town Centre of Abingdon, LLC	Retail	8,054,000	12.06%
Buckhead Abingdon Inc	Hotel	5,159,700	7.73%
New Concepts Hospitality LLC	Hotel	4,263,600	6.39%
Frizzell, Ben M. Jr.	Retail	4,191,900	6.28%
Geneva C. Hargoroves, SM LLC	Professional Offices	4,052,500	6.07%
Double K Properties LLC	Retail	3,667,200	5.49%
Abingdon Professional Centre LLC	Professional Offices	3,600,000	5.39%
Southern Hospitality LLC	Hotel	3,504,700	5.25%
Total Principal Property Taxpayers' Assessed Values		$ 66,761,800	100.00%

June 30, 2015:

Name	Nature of Business	Assessed Value	Percent of Real Estate Levy
K-VA-T Food Stores, Inc	Retail	$ 18,504,600	27.57%
DMD LLC	Rental Real Estate-Apartments	11,451,000	17.06%
Laramie Abingdon LTD PTNRSHIP	Retail	8,494,400	12.66%
Buckhead Abingdon Inc	Hotel	5,096,100	7.59%
Abingdon Professional Centre LLC	Professional Offices	4,632,100	6.90%
Frizzell, Ben M. Jr.	Retail	4,188,300	6.24%
Hargroves, Andrew J.	Professional Offices	4,048,200	6.03%
Double K. Properties LLC	Retail	3,666,000	5.46%
Light Milling Company	Retail	3,522,500	5.25%
Southern Hospitality	Hotel	3,504,700	5.22%
Total Principal Property Taxpayers' Assessed Values		$ 67,107,900	100.00%

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

TABLE 8

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

Fiscal Years Ended June 30	Total Tax Levy (1)(2)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections (3)	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Levy
2019	$ 2,891,272	$ 2,757,847	95.39%	$ 56,625	$ 2,814,472	97.34%	$ 114,385	3.96%
2018	$ 2,826,689	$ 2,720,874	96.26%	$ 30,979	$ 2,751,853	97.35%	$ 121,116	4.28%
2017	$ 2,681,396	$ 2,609,612	97.32%	$ 38,733	$ 2,648,345	98.77%	$ 112,486	4.20%
2016	$ 2,624,784	$ 2,576,140	98.15%	$ 63,074	$ 2,639,214	100.55%	$ 140,793	5.36%
2015	$ 2,754,504	$ 2,662,560	96.66%	$ 69,757	$ 2,732,317	99.19%	$ -	2.53%
2014	$ 2,790,613	$ 2,583,283	92.57%	$ 115,400	$ 2,698,683	96.71%	$ -	4.14%
2013	$ 2,616,745	$ 2,416,378	92.34%	$ 107,190	$ 2,523,568	96.44%	$ -	4.10%
2012	$ 2,508,632	$ 2,348,521	93.62%	$ 96,210	$ 2,444,731	97.45%	$ -	3.84%
2011	$ 2,577,988	$ 2,338,280	90.70%	$ 190,870	$ 2,529,150	98.11%	$ -	7.40%
2010	$ 3,475,376	$ 3,252,495	93.59%	$ 68,402	$ 3,320,897	95.56%	$ -	1.97%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Commonwealth reimbursement for auto tax included in total collections.

TABLE 9

TOWN OF ABINGDON, VIRGINIA
RATIO OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Years Ended June 30	Governmental Activities: General Obligation Bonds	Governmental Activities: Capital Leases	Business-Type Activities: Revenue Bonds Wastewater Bonds	Capital Leases	Total Primary Government	Per Capita
2019	$ 6,801,098	$ 342,346	$ 6,684,706	$ -	$ 13,828,150	$ 1,737
2018	$ 4,957,788	$ 371,373	$ 7,419,643	$ -	$ 12,748,804	$ 1,565
2017	$ 3,240,109	$ 440,015	$ 8,276,643	$ -	$ 11,956,767	$ 1,479
2016	$ 3,286,557	$ 597,907	$ 9,066,253	$ 62,478	$ 13,013,195	$ 1,603
2015	$ 3,479,290	$ 896,437	$ 9,935,052	$ 122,821	$ 14,433,600	$ 1,762
2014	$ 3,744,708	$ 407,737	$ 10,784,598	$ 181,100	$ 15,118,143	$ 1,846
2013	$ 1,299,000	$ 576,803	$ 11,258,145	$ 237,387	$ 13,371,335	$ 1,632
2012	$ 1,649,000	$ 468,408	$ 10,506,480	$ 189,540	$ 12,813,428	$ 1,564
2011	$ 1,983,000	$ 245,297	$ 11,273,768	$ 182,376	$ 13,684,441	$ 1,759
2010	$ 4,511,000	$ 264,174	$ 11,928,516	$ 159,000	$ 16,862,690	$ 2,167

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

TABLE 10

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

Fiscal Years Ended June 30	General Bonded Debt Outstanding: General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2019	$ 6,801,098	0.77%	$ 854
2018	$ 4,957,788	0.56%	$ 609
2017	$ 3,240,109	0.37%	$ 401
2016	$ 3,286,557	0.38%	$ 405
2015	$ 3,479,290	0.40%	$ 425
2014	$ 3,744,708	0.44%	$ 457
2013	$ 1,299,000	0.16%	$ 159
2012	$ 1,649,000	0.20%	$ 201
2011	$ 1,983,000	0.24%	$ 255
2010	$ 4,511,000	0.61%	$ 580

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

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

	Fiscal Years Ended June 30									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assessed valuations										
Assessed value of taxed real property	$ 644,346,200	$ 711,246,000	$ 715,761,300	$ 727,851,320	$ 734,838,050	$ 743,196,200	$ 743,344,400	$ 770,852,000	$ 766,009,000	$ 766,949,200
Legal debt margin										
Debt limit - 10 percent of total assessed value	64,434,620	71,124,600	71,576,130	72,785,132	73,483,805	74,319,620	74,334,440	77,085,200	76,600,900	76,694,920
Debt applicable to limitation:										
Total bonded debt	16,862,690	13,684,441	12,813,428	13,371,335	15,118,143	14,433,600	13,013,195	11,956,767	12,748,804	13,828,150
Less - wastewater revenue bonds and capital leases	(12,351,690)	(11,701,441)	(11,164,428)	(12,072,335)	(11,373,435)	(10,954,310)	(9,726,638)	(8,716,658)	(7,791,016)	(7,027,052)
Total amount of debt applicable to debt limitation	4,511,000	1,983,000	1,649,000	1,299,000	3,744,708	3,479,290	3,286,557	3,240,109	4,957,788	6,801,098
Legal debt margin	$ 59,923,620	$ 69,141,600	$ 69,927,130	$ 71,486,132	$ 69,739,097	$ 70,840,330	$ 71,047,883	$ 73,845,091	$ 71,643,112	$ 69,893,822
Total net debt applicable to the limit as a percentage of debt limit	7.00%	2.79%	2.30%	1.78%	5.10%	4.68%	4.42%	4.20%	6.47%	8.87%

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

Fiscal Years Ended June 30	Water Revenue Bonds						
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2019	$ 3,295,533	$ 2,450,518	$ 845,015	$ 892,592	$ 18,136	$ 910,728	0.93
2018	$ 3,041,260	$ 2,124,622	$ 916,638	$ 857,000	$ 19,059	$ 876,059	1.05
2017	$ 3,109,116	$ 1,969,670	$ 1,139,446	$ 873,512	$ 25,531	$ 899,043	1.27
2016	$ 3,064,648	$ 1,823,155	$ 1,241,493	$ 868,799	$ 30,567	$ 899,366	1.38
2015	$ 2,963,387	$ 1,907,625	$ 1,055,762	$ 865,033	$ 36,998	$ 902,031	1.17
2014	$ 3,236,016	$ 1,947,081	$ 1,288,935	$ 1,902,113	$ 51,438	$ 1,953,551	0.66
2013	$ 2,980,124	$ 2,195,216	$ 784,908	$ 745,627	$ 61,068	$ 806,695	0.97
2012	$ 2,922,659	$ 2,004,607	$ 918,052	$ 817,010	$ 62,688	$ 879,698	1.04
2011	$ 3,066,914	$ 2,016,317	$ 1,050,597	$ 654,748	$ 74,116	$ 728,864	1.44
2010	$ 2,514,223	$ 1,789,825	$ 724,398	$ 650,447	$ 77,703	$ 728,150	0.99

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

TABLE 13

TOWN OF ABINGDON, VIRGINIA
DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Years Ended June 30	Population(1)	Personal Income (1)	Per Capita Median Income (1)	Median Age (2)	School Enrollment	Unemployment Rate
2019	7,963	N/A	$ 38,338	45.9	1,994	3.40%
2018	8,146	N/A	$ 39,405	45.0	2,039	4.60%
2017	8,083	N/A	$ 39,405	42.6	2,050	4.60%
2016	8,119	N/A	$ 48,529	42.5	N/A	4.60%
2015	8,191	N/A	$ 48,214	39.0	2,690	5.80%
2014	8,191	$ 2,916,473	$ 43,353	35.0	2,719	6.50%
2013	8,191	$ 2,826,503	$ 42,242	36.0	2,688	7.30%
2012	8,191	$ 2,847,640	$ 43,155	39.4	2,699	7.50%
2011	7,780	$ 2,663,115	$ 40,513	40.2	2,790	7.90%
2010	7,780	$ 2,393,063	$ 39,690	39.8	2,865	8.80%

1) Source: census data, Sperling's Best Places, citymelt.com and city-date.com, Bureau of Economic Analysis (BEARFACTS)
2) Data only available for last ten years

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

June 30, 2019

Employer	Product or Service	Total Estimated Employment (1)
Washington County Schools	Public Agency	1000+
Johnston Memorial Hospital	Health Care	500-749*
K-VAT/Food City	Grocery Distribution	500-750
Washington County Government	Public Agency	150-249
Barter Theatre	Entertainment	150-200
Wal-Mart	Retail	150-200*
Lowe's	Retail	100-150*

*Located in Washington County

June 30, 2015

Employer	Product or Service	Total Estimated Employment (1)
Washington County Schools	Public Agency	1000+
Johnston Memorial Hospital	Health Care	500-749
K-VAT/Food City	Grocery Distribution	250-499
Washington County Government	Public Agency	150-249

(1) Source: Virginia Employment Commission

TABLE 15

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

	2014	2015	2016	2017	2018	2019
Function						
General government						
Management services	3	3	3	2	2	2
Legal	2	2	3	3	-	-
Human resources	-	1	1	1	1	1
Finance	8	8	8	8	8	8
Business incubator	2	2	3	-	-	-
Information technology	3	3	3	3	3	4
Building	3	3	4	4	4	4
Planning and Zoning	4	4	4	4	3	3
Public safety						
Police	27	27	28.5	26.5	26.5	26.5
Fire	20	20	20	20	19	17
Public works						
Administration	5	5	4	5	4.5	4
Refuse collection	3	3	3	3	3	3
Streets	18	18	19	19	18	18
Other	7	7	8	8	7	7
Parks, recreation, and cultural						
Parks	11	11	9	13	13	10
Recreation	58	58	57	59	51.5	52
Tourism	4	4	5	15	11	11
Other	6	6	8	3	3	3.5
Wastewater operations						
Collection	10	10	10	11	10	10
Disposal	12	12	12	12	12	12
Other	1	1	1	1	1	1

1) Source: Town's finance department
2) Data not available for periods prior to June 30, 2014

TABLE 16

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

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public safety										
Incident reports	4,458	4,446	4,602	4,237	4,003	4,229	4,129	4,207	2,932	3,039
Number of traffic crashes	398	384	372	273	323	334	382	331	222	184
Number of arrests	600	449	521	414	353	364	316	368	324	313
Citations written	1,288	1,420	1,326	694	1,188	1,161	891	1,022	772	654
Fire and rescue										
Number of calls answered	454	460	432	478	484	522	411	533	554	624
Building inspections										
Permits issued	300	263	252	308	270	263	187	178	135	257
Parks and Recreation										
Youth Program Participants	3,234	3,383	3,538	3,684	3,737	4,512	4,920	5,403	10,389	16,024
Wastewater operations										
Number of service connections	-	-	-	-	-	4,940	4,977	5,039	4,747	5,068
Average daily treatment in gallons	1,790,000	2,120,000	2,070,000	2,530,000	2,150,000	2,320,000	1,970,000	2,157,742	2,159,000	2,690,000
Maximum daily capacity of plant in gallons	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000

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

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public safety										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	18	18	18	18	18	18	18	18	18	18
Number of sworn officers	25	25	25	26	26	25	25	24	23	24
Number of non-sworn	2	2	2	2	3	3	3	3	3	3
Public works										
Streets (miles)	75	75	75	75	75	75	75	75	75	75.17
Streets (miles on VDOT maint inventory)	54.79	54.79	54.79	54.79	54.79	54.79	54.32	54.32	54.32	54.38
Streetlights	1,213	1,213	1,213	1,213	1,213	1,213	1,218	1,218	1,218	1,241
Traffic signals	18	18	18	18	18	18	18	17	17	18
Wastewater operations										
Miles of sanitary sewers	111	111	111	111	111	111	111	111	111	111
Miles of storm sewers	22.3	22.3	22.3	22.3	22.3	22.3	22.3	22.3	22.3	22.3
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of pumping stations	6	6	6	6	6	6	6	6	6	6

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

To the Honorable Members of the Town Council
Town of Abingdon, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Abingdon, Virginia ("Town"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 29, 2019.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, and 2019-003.

Response to Findings

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
November 29, 2019

BROWN EDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Members of the Town Council
Town of Abingdon, Virginia

Report on Compliance for Each Major Federal Program

We have audited the Town of Abingdon, Virginia's (the "Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2019. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms, and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

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Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANT

Bristol, Virginia
November 29, 2019

TOWN OF ABINGDON, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS
June 30, 2019

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

STATE COMPLIANCE MATTERS

Code of Virginia
Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Uniform Disposition of Unclaimed Property Act

State Agency Requirements
Urban Highway Maintenance

Town of Abingdon, Virginia

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Amounts Passed Thru to Sub-recipients	Cluster Amounts	Federal Expenditures
United States Department of Agriculture:					
Direct Payments:					
Community Facilities Loans and Grants	10.766	N/A			$ 25,000
Total United States Department of Agriculture					25,000
Department of Transportation:					
Direct Payments:					
Highway Planning and Construction	20.205	N/A			260,182
Highway Planning and Construction - Virginia Creeper Trail	20.205	N/A			80,998
Total Department of Transportation					341,180
Department of the Interior:					
Direct Payments:					
National Park Service	15.935				8,000
Total Department of the Interior					8,000
Department of Homeland Security:					
Direct Payments:					
Assistance to Firefighters Grant	97.044				764,541
Total Department of Homeland Security					764,541
Department of Transportation:					
Direct Payments:					
Alcohol Open Container Requirements	20.607				9,181
Total Department of Transportation					9,181
Total Expenditures of Federal Awards					$ 1,147,902

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Town under programs of the federal government for the fiscal year. The information in this schedule is presented in accordance with the requirements of the *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Town, it is not intended and does not present the financial position, changes in net position, or cash flows

NOTE 2 - BASIS OF ACCOUNTING:

The accompanying schedule of federal awards is prepared on the modified accrual basis of accounting.

NOTE 3 - DE MINIMIS INDIRECT COST RATE:

The Town has not elected to use the de minimus 10% cost rate.

TOWN OF ABINGDON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

A. SUMMARY OF AUDITOR'S RESULTS

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

Name of Program	CFDA #
Assistance to Firefighters Grant	97.044

7. The threshold for distinguishing Type A and B programs was $750,000.
8. Town of Abingdon, Virginia was **not** determined to be a **low risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS – COMMONWEALTH OF VIRGINIA

2019-001: Conflicts of Interest Act

Condition: There was one instance where the proper statements were not filed timely as required by Section 2.2-3115(G) of the *Code of Virginia*. The State and Local Government Conflict of Interests Act requires local government officials to file certain disclosure statement forms with the clerk of the governing body at certain points during the year.

Recommendation: Steps should be taken to ensure that the appropriate statements are filed and in a timely manner.

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

TOWN OF ABINGDON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

C. FINDINGS – COMMONWEALTH OF VIRGINIA

2019-002: Budget Appropriations

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

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

Management's Response: Management concurs with this recommendation.

2019-003: Highway Maintenance Disbursements and Weldon Cooper Survey

Condition: It was noted that when the Town entered highway maintenance disbursements into the system, each street that is worked on is not listed separately if there were multiple streets worked on. Some ineligible/partially eligible streets were not broken out and were lumped in with another street that was eligible. In addition, the Weldon Cooper Survey was not filed by the March 15 deadline.

Recommendation: Ensure that included streets are eligible streets included on the Department of Transportation's annual listing of eligible streets and that the survey is filed timely.

Management's Response: Management concurs with this recommendation.

D. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM

None

TOWN OF ABINGDON, VIRGINIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2019

A. FINDINGS – COMMONWEALTH OF VIRGINIA

2018-001: Conflicts of Interest Act

Condition: There were two instances where the proper statements were not filed timely as required by Section 2.2-3115(G) of the *Code of Virginia*. The State and Local Government Conflict of Interests Act requires local government officials to file certain disclosure statement forms with the clerk of the governing body at certain points during the year.

Recommendation: Steps should be taken to ensure that the appropriate statements are filed and in a timely manner.

Current Status: This was noted during the current year audit and is reported as item 2019-001.

2018-002: Budget Appropriations

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

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

Current Status: This was noted during the current year audit and is reported as item 2019-002.

2018-003: Weldon Cooper Report

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

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

Current Status: This was noted during the current year audit and is reported as item 2019-003.