

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Abingdon, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Town of Abingdon, Virginia, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 35-38 and the schedule of funding progress on page 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Abingdon, Virginia's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013, on our consideration of the Town of Abingdon, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Abingdon, Virginia's internal control over financial reporting and compliance.

Bostic, Tucker and Company PC

Lebanon, Virginia
December 2, 2013

BASIC FINANCIAL

STATEMENTS

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

Exhibit 1

	Primary Government		Total Reporting Entity
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 9,106,449	\$ 3,055,218	\$ 12,161,667
Receivables, net	20,920	697,489	718,409
Taxes receivable, net	1,611,675	-	1,611,675
Due from other governments	100,389	-	100,389
Internal balances	848,382	(848,382)	-
Inventories	1,500	-	1,500
Capital assets, net	18,358,509	13,746,299	32,104,808
Total assets and other debits	\$ 30,047,824	\$ 16,650,624	\$ 46,698,448
Liabilities			
Accounts payable	\$ 134,393	\$ 138,000	\$ 272,393
Accrued liabilities	1,831,333	245,288	2,076,621
Accrued interest payable	8,305	1,786	10,091
Deposits and advances	-	277,408	277,408
Noncurrent liabilities:			
Due within one year	214,577	807,189	1,021,766
Due in more than one year	1,912,554	10,688,343	12,600,897
Total liabilities	4,101,162	12,158,014	16,259,176
Net Position			
Net Investment in capital assets	16,231,378	2,250,767	18,482,145
Unrestricted (deficit)	9,715,284	2,241,843	11,957,126
Total net assets	\$ 25,946,662	\$ 4,492,610	\$ 30,439,272

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

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit 2

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 1,660,958	\$ -	\$ -	\$ -	\$ (1,660,958)	\$ -	\$ (1,660,958)
Public safety	2,736,487	-	292,996	192,505	(2,250,986)	-	(2,250,986)
Public works	3,841,342	353,943	1,440,262	25,748	(2,021,389)	-	(2,021,389)
Health and welfare	5,833	-	-	-	(5,833)	-	(5,833)
Non-departmental	238,884	-	-	-	(238,884)	-	(238,884)
Parks, recreation and cultural	2,379,502	415,470	5,000	-	(1,959,031)	-	(1,959,031)
Community development	2,237,820	20,200	-	-	(2,217,620)	-	(2,217,620)
Interest on long-term debt	66,425	-	-	-	(66,425)	-	(66,425)
Total government activities	13,167,251	789,613	1,738,258	218,252	(10,421,127)	-	(10,421,127)
Business-type activities:							
Sewer	3,088,359	3,018,276	-	-	-	(70,083)	(70,083)
Total business type-activities	3,088,359	3,018,276	-	-	-	(70,083)	(70,083)
Total primary government	\$ 16,255,610	\$ 3,807,889	\$ 1,738,258	\$ 218,252	(10,421,127)	(70,083)	(10,491,210)
General Revenues:							
Taxes					8,232,362	-	8,232,362
Grants and contributions not restricted to specific programs					60,278	-	60,278
Investment and investment earnings					47,688	7,868	55,556
License and permits					37,762	-	37,762
Fines					71,766	-	71,766
Miscellaneous					370,108	-	370,108
Transfers					-	-	-
Total general revenues, special item and transfers					8,819,964	7,868	8,827,832
Change in net position					(1,601,163)	(62,215)	(1,663,378)
Net position beginning, as restated					27,547,824	4,554,825	32,102,649
Net position ending					\$ 25,946,662	\$ 4,492,610	\$ 30,439,271

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

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

Exhibit A-1

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

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

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

Other long-term assets are not available to pay current period expenditures and therefore deferred in the governmental funds and are not included in the fund balance. 221,896

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

Some liabilities are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities are recorded in the Statement of Net Assets. (2,707,054)

Net Position of governmental activities **\$ 25,946,663**

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

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

Exhibit A-2

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

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

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

Exhibit A-3

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

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

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

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

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

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

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

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

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (such as compensated absences and accrued interest on long-term debt).

(43,141)

Change in Net Position of Governmental Activities **\$ (1,601,162)**

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

Exhibit A-4

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

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

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

Exhibit B-1

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

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

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

Exhibit B-2

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

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

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

Exhibit B-3

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

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

**NOTES TO FINANCIAL
STATEMENTS**

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A The Financial Reporting Entity

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

B. Government – wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units, if any. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

D. Assets, liabilities, and net assets or equity

Deposits and investments

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

Receivables and payables

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

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

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

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

Inventory

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

Property taxes

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

Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data, and, in certain cases, specific account analysis. The allowance amounted to approximately \$192,324 at June 30, 2013 and is comprised of \$94,717 for property taxes and \$97,607 for customer sewer receivables.

Use of Estimates

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

Capital assets

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

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

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

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

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

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

Capital assets - continued

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

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

Compensated absences

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

Long-term obligations

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

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

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

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

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

Fund equity

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

Net Position

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

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

The Town has implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. The Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements has not changed as a result of implementing this Statement and no restatement of prior balances is required.

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

The Town early implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net equity reported in the financial statements was not charged as a result of implementing this Statement and no restatement of prior balances is required.

Net Position Flow Assumption

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

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

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

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

Public hearings are conducted to obtain citizens' comments.

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

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

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

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

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

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

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

B. Deficit fund equity

At June 30, 2013, the following funds had deficit fund equity:

Kings Mountain/Taylor's Hill	\$ 15
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**TOWN OF ABINGDON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 3. DEPOSITS AND INVESTMENTS

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

Investments: Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

NOTE 4. DUE FROM OTHER GOVERNMENTAL UNITS

Consists of the following at June 30, 2013:

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

NOTE 5. INTER-FUND OBLIGATIONS

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

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

NOTE 6. LONG-TERM DEBT

A. Changes in long-term obligations

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2013:

<u>Governmental Activities</u>	Amounts Payable at June 30, 2012	Increases	Decreases	Amounts Payable at June 30, 2013	Amounts Due Within One Year
Bonds payable	\$ 1,649,000	\$ -	\$ 350,000	\$ 1,299,000	\$ 98,000
Leases Payable	468,409	210,000	101,606	576,803	116,577
Total Bonds and leases	<u>2,117,409</u>	<u>210,000</u>	<u>451,606</u>	<u>1,875,803</u>	<u>214,577</u>
Other liabilities:					
Other Post Employment					
Benefit Obligations	188,400	71,028	8,100	251,328	8,100
Claims, judgements, and compensated absences payable	589,586		17,967	571,619	-
Total other liabilities	<u>777,986</u>	<u>71,028</u>	<u>26,067</u>	<u>822,947</u>	<u>-</u>
Total long-term liabilities	<u>\$ 2,895,395</u>	<u>\$ 281,028</u>	<u>\$ 477,673</u>	<u>\$ 2,698,750</u>	<u>\$ 214,577</u>
<u>Business-type activities</u>	Amounts Payable at July 1, 2012	Increases	Decreases	Amounts Payable at June 30, 2013	Amounts Due Within One Year
Claims, judgements, and compensated absences payable	\$ 189,540	\$ 14,898	\$ -	\$ 204,438	\$ -
Leases Payable	-	297,600	60,213	237,387	56,287
Bonds payable	<u>10,506,480</u>	<u>1,497,292</u>	<u>745,627</u>	<u>11,258,145</u>	<u>750,902</u>
Total long-term liabilities	<u>\$ 10,696,020</u>	<u>\$ 1,809,790</u>	<u>\$ 805,840</u>	<u>\$ 11,699,970</u>	<u>\$ 807,189</u>

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

NOTE 6. LONG-TERM DEBT - (continued)

B. General obligation bonds

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

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

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

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

C. Revenue Bonds

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

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

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

NOTE 6. LONG-TERM DEBT - (continued)

C. Revenue Bonds

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

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

D. Claims, Judgments, and Compensated Absences

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

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

NOTE 7. COMMITMENTS AND CONTINGENT LIABILITIES

Contingent Liabilities

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

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

NOTE 8. RISK MANAGEMENT

The risk management programs of the Town are as follows:

Workmen's Compensation

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

General Liability and Other

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

NOTE 9. SURETY BONDS

USF&G Insurance Company - Surety Blanket Bond	\$1,000,000
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NOTE 10. Lease Commitments

The Town leases various types of equipment and facilities under capital lease agreements. A summary of future minimum rental payments under capital leases as of June 30, 2013 is as follows:

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

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

NOTE 11. DEFINED BENEFITS PENSION PLAN

Plan Description

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

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

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

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

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

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

NOTE 11. DEFINED BENEFITS PENSION PLAN (Continued)

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

Funding Policy

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

Annual Pension Cost

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

Three-Year Information for the Town

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

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

NOTE 12. DEFERRED REVENUE

Deferred revenue represents amounts for which assets recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$1,244,048 is comprised of the following:

A. Deferred Property Tax Revenue

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

B. Prepaid Property Taxes

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

NOTE 13. NEW ACCOUNTING STANDARDS

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

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

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

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

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

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

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

NOTE 13. NEW ACCOUNTING STANDARDS

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

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

NOTE 14. CAPITAL ASSETS

Primary Government:

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

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

Depreciation expense was charged to the following functions:

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

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

NOTE 14. CAPITAL ASSETS (continued)

Business-type activities

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

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

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

NOTE 15. OTHER POST-EMPLOYMENT BENEFITS

The Governmental Accounting Standards Board (GASB) has issued its Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefit Plans Other Than Pensions*. The Statement establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense and related liabilities in the financial statements. The cost of post-employment healthcare benefits should be associated with the period in which the cost occurs, rather than in the future years when it will be paid. The Town adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2013. Recognition of the liability accumulated from prior years will be phased in over 30 years commencing with the 2010 liability.

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

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2013, the Town's annual OPEB cost of \$62,800 for governmental activities was equal to the Annual Required Contribution (ARC).

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

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

Fiscal Year Ending	Annual OPEB Cost	Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 62,800	0%	\$ 62,800
June 30, 2011	62,800	0%	125,600
June 30, 2012	62,800	0%	188,400
June 30, 2013	71,028	11.40%	251,328

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

NOTE 15. OTHER POST-EMPLOYMENT BENEFITS (continued)

Funding Status and Funding Progress

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

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

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

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

Purpose

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

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

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

Components of Fund Balance

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

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

Committed Fund Balance Policy

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

Assigned Fund Balance Policy

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

Minimum Unassigned Fund Balance Policy

The Town does not maintain an unassigned fund balance policy.

Resource Flow Policy

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

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The detail of this \$(2,676,948) difference for the primary government is as follows:

	Primary Government
General obligation bonds and loans payable	\$ (1,875,803)
Accrued interest	(8,305)
OPEB liability	(251,328)
Compensated absences	(571,618)
Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities	\$ (2,707,054)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The detail of this \$492,103 difference for the primary government is as follows:

	Primary Government
Capital Outlay	\$ 1,204,352
Depreciation Expense	(712,249)
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at changes in net position-governmental activities	\$ 492,103

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

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

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The detail of this \$(13,035) difference for the primary government is as follows:

	Primary Government
(Increase) Decrease in Compensated absences	\$ 17,968
(Increase) Decrease in OPEB liability	(62,928)
(Increase) Decrease in Accrued interest	1,819
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at changes in net position-governmental activities	\$ (43,141)

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

Governmental Funds:

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

Governmental Activities:

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

REQUIRED SUPPLEMENTARY

INFORMATION

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

Exhibit C-1

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

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

Exhibit C-1

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

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

Exhibit D-1

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

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

Exhibit D-1

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

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

Exhibit D-1

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

TOWN OF ABINGDON
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2013

Exhibit E-1

Valuation Date (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2) (4)	Funded Ratio (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as % of Payroll (4)/(6) (7)
June 30, 2005	\$ 7,924,009	\$ 9,608,373	\$ 1,684,364	82.47%	\$ 3,193,216	52.75%
June 30, 2006	8,514,802	9,807,151	1,292,349	86.82%	3,329,694	38.81%
June 30, 2007	9,729,072	10,509,995	780,923	92.57%	3,778,241	20.67%
June 30, 2008	10,773,409	11,821,134	1,047,725	91.14%	4,124,247	25.40%
June 30, 2009	11,115,629	12,701,222	1,585,593	87.52%	4,444,508	35.68%
June 30, 2010	11,340,009	14,274,875	2,934,866	79.44%	4,630,371	63.38%
June 30, 2011	11,796,399	15,720,234	3,923,835	75.04%	4,725,709	83.03%
June 30, 2012	11,956,693	16,640,740	4,684,047	71.85%	5,101,601	91.82%

**OTHER SUPPLEMENTARY
INFORMATION**

Non-major Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

TOWN OF ABINGDON
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

Exhibit F-1

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

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

Exhibit F-2

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

STATISTICAL SECTION (UNAUDITED)

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

TABLE 1

Fiscal Year Ending	General Property Taxes	Other Local Taxes	Permit Privilege Fees and Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Intergovernmental	Total
2004	\$ 2,092,868	\$ 4,023,591	\$ 39,356	\$ 64,002	\$ 157,928	\$ 334,594	\$ 74,148	\$ 251,827	\$ 2,553,430	\$ 9,591,744
2005	2,162,634	4,127,300	36,778	73,551	208,796	369,159	54,282	203,455	2,804,868	10,040,823
2006	2,263,598	4,284,444	39,795	39,795	323,895	330,543	689	253,408	2,540,704	10,076,871
2007	2,317,059	4,817,990	31,454	47,213	490,063	740,455	473	99,304	2,389,912	10,933,923
2008	2,291,873	5,121,179	29,926	55,492	383,138	738,723	35,859	3,163	2,597,837	11,257,190
2009	2,353,245	5,666,262	24,254	34,264	195,938	854,927	25,188	254,875	2,712,711	12,121,664
2010	3,412,150	5,869,947	20,084	26,571	113,297	824,850	8,151	200,220	2,288,748	12,764,018
2011	2,529,150	6,100,700	20,758	31,152	103,815	693,012	72,231	185,370	2,142,495	11,878,683
2012	2,517,084	6,190,262	13,684	49,097	56,542	829,032	220,084	245,431	2,347,164	12,468,380
2013	2,582,994	5,626,683	37,762	71,766	47,688	789,613	60,169	309,939	2,016,788	11,543,402

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

TABLE 2

Fiscal Year Ending	General Government Administration	Public Safety	Public Works	Health and Welfare	Parks Recreation and Culture	Community Development	Non- Departmental	Debt Service	Capital Projects	Total
2003	\$ 860,140	\$ 1,951,532	\$ 1,839,372	\$ 990	\$ 1,136,398	\$ 1,435,456	\$ 27,515	\$ 578,902	\$ 144,931	\$ 7,975,236
2004	848,241	1,734,738	1,986,145	1,036	1,708,930	1,350,008	45,267	574,409	677,960	8,926,734
2005	1,030,085	2,361,611	2,452,312	8,514	1,588,602	1,359,843	47,420	573,137	1,049,439	10,470,963
2006	1,044,328	1,851,870	2,462,063	1,460	1,756,468	1,737,235	26,259	531,213	271,706	9,682,602
2007	1,157,711	2,526,369	3,615,701	9,353	1,866,350	1,559,941	36,457	337,701	1,016,920	12,126,503
2008	1,396,408	2,002,734	3,192,441	8,019	2,031,323	1,511,014	77,757	364,354	1,558,482	12,142,532
2009	1,505,155	2,101,677	3,160,722	9,591	2,123,965	49,147	1,858,791	357,628	3,346,647	14,513,323
2010	1,577,449	2,367,422	3,243,545	2,893	2,329,850	162,024	1,613,257	509,262	931,778	12,737,480
2011	1,480,612	2,283,745	3,564,703	2,856	2,363,492	138,672	1,950,407	2,830,875	87,599	14,702,961
2012	1,687,563	2,483,125	3,257,329	3,426	2,305,565	172,395	2,370,336	566,761	298,925	13,145,425
2013	1,652,003	2,497,255	3,677,910	5,833	2,298,874	2,572,550	238,884	519,849	604,659	14,067,817

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

TABLE 3

Fiscal Year Ending	Tax Rate	Real Estate	Personal Property	Public Service Corporation	Total
2004	0.32	508,446,600	868,829	22,682,100	531,997,529
	0.55	-	68,716,060	112,201	68,828,261
2005	0.28	516,966,900	858,940	21,358,395	539,184,235
	0.55	-	73,624,020	95,775	73,719,795
2006	0.28	618,206,469	903,675	24,613,411	643,723,555
	0.55	-	78,412,965	54,123	78,467,088
2007	0.28	642,449,600	831,201	11,611,232	654,892,033
	0.55	-	82,239,016	54,123	82,293,139
2008	0.28	641,517,000	709,799	21,580,382	663,807,181
	0.55	-	81,228,773	266,012	81,494,785
2009	0.28	644,346,200	731,022	19,769,209	664,846,431
	0.55	-	81,439,160	233,200	81,672,360
2010	0.28	644,346,200	759,626	21,519,981	666,625,807
	0.55	-	78,322,505	406,945	78,729,450
2011	0.28	711,246,000	1,062,490	22,448,202	734,756,692
	0.55	-	92,449,693	406,945	92,856,638
2012	0.28	715,761,300	1,021,085	22,196,195	738,978,580
	0.55	-	82,036,905	424,726	82,461,631
2013	0.28	727,851,320	818,381	22,196,429	750,866,130
	0.55	-	83,025,635	424,726	83,450,361

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

TABLE 4

Fiscal Year Ending	Total (1) Tax Levy	Current Tax (1) Collections	Percent of Levy Collected	Delinquent (1) Tax Collections	Total Collections	Percent of Total Tax Collections to Tax Levy	Percent of Delinquent Taxes to Tax Levy
2004	\$ 2,089,053	\$ 1,997,824	95.6%	\$ 81,487	\$ 2,079,311	99.5%	3.90%
2005	2,137,796	2,049,280	95.9%	68,616	2,117,896	99.1%	3.21%
2006	2,234,163	2,200,288	98.5%	64,431	2,264,719	101.4%	2.88%
2007	2,257,184	2,196,832	97.3%	56,952	2,253,784	99.8%	2.52%
2008	2,285,547	2,206,019	96.5%	147,226	2,353,245	103.0%	6.44%
2009	2,273,559	2,197,117	96.6%	76,442	2,273,559	100.0%	3.36%
2010	3,475,376	3,252,495	93.6%	68,402	3,320,897	95.6%	1.97%
2011	2,577,988	2,338,280	90.7%	190,870	2,529,150	98.1%	7.40%
2012	2,508,632	2,348,521	93.6%	96,210	2,444,731	97.5%	3.84%
2013	2,616,745	2,416,378	92.3%	107,190	2,523,568	96.4%	4.10%

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

TABLE 5

Fiscal Year Ending	Population (1)	Assessed Value (In Thousands)	Gross Bonded Debt (2)	Less		Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt Per Capita
				Debt Service Monies Available	Debt Payable Enterprise Revenues			
2004	7,780	600,825,790	8,307,247	-	5,497,247	2,810,000	0.4677%	361
2005	7,780	612,904,030	8,280,758	-	5,870,758	2,410,000	0.3932%	310
2006	7,780	722,190,643	13,323,996	-	11,333,396	1,990,600	0.2756%	256
2007	7,780	737,185,172	14,738,102	-	12,998,102	1,740,000	0.2360%	224
2008	7,780	745,301,966	14,355,734	-	12,875,734	1,480,000	0.1986%	190
2009	7,780	746,518,791	17,359,963	-	11,495,532	5,864,431	0.7856%	754
2010	7,780	748,298,167	16,439,516	-	10,688,343	5,751,173	0.7686%	739
2011	7,780	813,486,142	13,256,767	-	11,273,767	1,983,000	0.2438%	255
2012	8,191	821,440,211	12,155,480	-	10,506,480	1,649,000	0.2007%	201
2013	8,191	833,327,761	11,059,853	-	9,760,853	1,299,000	0.1559%	159

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

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

COMPLIANCE
SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Town of Abingdon, Virginia as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 2, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Bostic, Tucker and Company PC

Lebanon, Virginia
December 2, 2013