

TOWN OF ABINGDON, VIRGINIA

ANNUAL FINANCIAL REPORT

June 30, 2021

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TOWN OFFICIALS

TOWN COUNCIL:

Derek Webb, Mayor
Donna Quetsch, Vice-Mayor
Mike Owens
Amanda Pillion
James Anderson

TOWN OFFICERS:

James Morani, Town Manager
Tammy Baldwin, Treasurer
Kim Kingsley, Town Clerk/Deputy Treasurer
Steve Trotman, Director of Finance
Tonya Triplett, Director of Economic Development/Assistant Town Manager
John Holbrook, Police Chief
John McCormick, Fire Department Chief
John Dew, Director of Public Works
Jennifer Johnson, Director of Recreation
Kevin Worley, Director of Parks and Grounds
Jayne Duehring, Director of Tourism
Floyd Bailey, Director of Information Technology
Johnice Knight, Director of Human Resources
Sarita Moore, Director of Wastewater Operations
Rick Statzer, Director of Building Inspections
Jason Boswell, Director of Community Development
Mason Gragg, Town Planner/Code Compliance Official

TOWN LEGAL COUNSEL:

Cameron Bell, Counsel

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Abingdon, Virginia (the "Town") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the financial statements of the general fund have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Other Information

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

Other Matters (Continued)

Other Information (Continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2021, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
December 30, 2021

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2021

EXHIBIT 1

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 11,681,737	\$ 1,455,828	\$ 13,137,565
Receivables:			
Taxes, net	1,463,580	-	1,463,580
Accounts, net	95,737	714,830	810,567
Other	446,109	448	446,557
Prepaid expenses	96,927	19,852	116,779
Due from other governmental units	127,483	-	127,483
Internal balances	(547,939)	547,939	-
Inventory	2,849	-	2,849
Restricted assets:			
Cash	5,697,050	819,271	6,516,321
Capital assets, non-depreciable	21,187,220	694,616	21,881,836
Capital assets, depreciable, net	13,416,859	9,895,931	23,312,790
 Total Assets	 53,667,612	 14,148,715	 67,816,327
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows related to pensions	1,336,300	322,104	1,658,404
Deferred outflows related to other postemployment benefits	518,253	71,826	590,079
Total Deferred Outflows of Resources	1,854,553	393,930	2,248,483
<u>LIABILITIES</u>			
Accounts payable	\$ 1,359,898	\$ 33,732	\$ 1,393,630
Accrued liabilities and wages	199,223	45,244	244,467
Construction bonds payable	29,053	-	29,053
Unearned revenue	4,081,072	-	4,081,072
Payable from restricted assets:			
Deposits	-	313,750	313,750
Police seizure deposits	2,308	-	2,308
Accrued interest	219,289	6,810	226,099
Long-term liabilities:			
Net pension liability	3,381,041	814,970	4,196,011
Net other postemployment benefit liability	1,721,145	289,041	2,010,186
Due within one year	907,922	842,244	1,750,166
Due in more than one year	15,443,080	4,439,135	19,882,215
 Total Liabilities	 27,344,031	 6,784,926	 34,128,957
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property taxes	1,092,065	-	1,092,065
Deferred inflows related to pension	473,732	114,189	587,921
Deferred inflows related to other postemployment benefits	340,544	49,636	390,180
Total Deferred Inflows of Resources	1,906,341	163,825	2,070,166
<u>NET POSITION</u>			
Net investment in capital assets	22,949,378	5,417,896	28,367,274
Restricted	112,233	-	112,233
Unrestricted	3,210,182	2,175,998	5,386,180
 Total Net Position	 \$ 26,271,793	 \$ 7,593,894	 \$ 33,865,687

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

EXHIBIT 2

FUNCTIONS/PROGRAMS:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 3,007,482	\$ -	\$ 91,210	\$ -	\$ (2,916,272)	\$ -	\$ (2,916,272)
Public safety	2,395,271	78,678	402,945	322,293	(1,591,355)	-	(1,591,355)
Public works	3,274,223	432,872	1,797,402	54,203	(989,746)	-	(989,746)
Health and welfare	1,244	-	140,731	-	139,487	-	139,487
Parks, recreation, and cultural	1,834,270	139,422	47,487	22,552	(1,624,809)	-	(1,624,809)
Community development	1,119,696	10,009	427,892	-	(681,795)	-	(681,795)
Interest on long-term debt	463,017	-	-	-	(463,017)	-	(463,017)
Non-departmental	66,423	-	-	-	(66,423)	-	(66,423)
Total Governmental Activities	12,161,626	660,981	2,907,667	399,048	(8,193,930)	-	(8,193,930)
Business-Type Activities:							
Sewer	3,048,537	3,247,886	-	-	-	199,349	199,349
Total Business-Type Activities	3,048,537	3,247,886	-	-	-	199,349	199,349
TOTAL PRIMARY GOVERNMENT	\$ 15,210,163	\$ 3,908,867	\$ 2,907,667	\$ 399,048	(8,193,930)	199,349	(7,994,581)
General Revenues:							
Property taxes					\$ 3,122,505	\$ -	\$ 3,122,505
Local sales & use tax					574,619	-	574,619
Utility tax					83,682	-	83,682
Business license tax					912,463	-	912,463
Franchise license tax					51,531	-	51,531
Communication taxes					89,183	-	89,183
Motor vehicle license					149,584	-	149,584
Bank stock tax					664,201	-	664,201
Cigarette tax					213,239	-	213,239
Hotel and motel room tax					706,960	-	706,960
Restaurant food tax					3,126,506	-	3,126,506
Unrestricted intergovernmental revenue					92,992	-	92,992
Unrestricted investment earnings					38,691	12,773	51,464
Other					354,022	2,283	356,305
Total general revenues					10,180,178	15,056	10,195,234
Change in net position					1,986,248	214,405	2,200,653
NET POSITION - JULY 1					24,285,545	7,379,489	31,665,034
NET POSITION - JUNE 30					<u>\$ 26,271,793</u>	<u>\$ 7,593,894</u>	<u>\$ 33,865,687</u>

TOWN OF ABINGDON, VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2021

EXHIBIT 3

	General Fund	American Rescue Plan Act Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 7,600,637	\$ 4,081,100	\$ -	\$ -	\$ 11,681,737
Receivables, net:					
Taxes	1,463,580	-	-	-	1,463,580
Accounts	95,737	-	-	-	95,737
Other	446,106	-	-	3	446,109
Prepaid items	96,927	-	-	-	96,927
Due from other funds	2,050	-	-	-	2,050
Due from other governmental units	127,483	-	-	-	127,483
Inventory	2,849	-	-	-	2,849
Restricted assets:					
Cash	175,955	-	5,433,840	87,255	5,697,050
Total Assets	<u>\$ 10,011,324</u>	<u>\$ 4,081,100</u>	<u>\$ 5,433,840</u>	<u>\$ 87,258</u>	<u>\$ 19,613,522</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 136,866	\$ -	1,208,301	\$ 14,731	\$ 1,359,898
Accrued payroll and related liabilities	199,223	-	-	-	199,223
Construction bonds payable	29,053	-	-	-	29,053
Unearned revenue	-	4,081,072	-	-	4,081,072
Police seizure deposits	2,308	-	-	-	2,308
Due to other funds	547,939	-	-	2,050	549,989
Total Liabilities	<u>915,389</u>	<u>4,081,072</u>	<u>1,208,301</u>	<u>16,781</u>	<u>6,221,543</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes	1,445,218	-	-	-	1,445,218
Total Deferred Inflows of Resources	<u>1,445,218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,445,218</u>
FUND BALANCES:					
Nonspendable	99,776	-	-	-	99,776
Restricted	41,728	28	4,225,539	70,477	4,337,772
Unassigned	7,509,213	-	-	-	7,509,213
Total Fund Balances	<u>7,650,717</u>	<u>28</u>	<u>4,225,539</u>	<u>70,477</u>	<u>11,946,761</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 10,011,324</u>	<u>\$ 4,081,100</u>	<u>\$ 5,433,840</u>	<u>\$ 87,258</u>	<u>\$ 19,613,522</u>

TOWN OF ABINGDON, VIRGINIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2021

EXHIBIT 4

Total Fund Balances per Exhibit 3-Balance Sheet-Governmental Funds \$ 11,946,761

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	34,604,079
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	353,153
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable, net of premiums and discounts	(15,672,754)
Accrued interest payable	(219,289)
Capital leases payable	(207,486)
Compensated absences	(470,762)
Financial statement elements related to other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources for 2021 employer contributions	56,845
Deferred outflows of resources related to other postemployment benefits	461,408
Deferred inflows of resources related to other postemployment benefits	(340,544)
Net other postemployment benefit liability	(1,721,145)
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources for 2021 employer contributions	358,735
Deferred outflows of resources for the net difference between projected and actual earnings on pension plan investments	977,565
Deferred inflows of resources for the net difference between projected and actual earnings on pension plan investments	(473,732)
Net pension liability	<u>(3,381,041)</u>
Net Position of Governmental Activities	<u>\$ 26,271,793</u>

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2021

EXHIBIT 5

	<u>General Fund</u>	<u>American Rescue Plan Act Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
REVENUES:					
General property taxes	\$ 3,020,303	\$ -	\$ -	\$ -	\$ 3,020,303
Other local taxes	6,571,968	-	-	-	6,571,968
Permits, privilege fees and regulatory licenses	27,278	-	-	-	27,278
Fines and forfeitures	12,623	-	-	-	12,623
Revenue from use of money and property	38,378	28	-	285	38,691
Charges for services	660,981	-	-	-	660,981
Miscellaneous	223,291	-	-	-	223,291
Intergovernmental	3,399,707	-	-	-	3,399,707
Total Revenues	<u>13,954,529</u>	<u>28</u>	<u>-</u>	<u>285</u>	<u>13,954,842</u>
EXPENDITURES:					
Current:					
General government administration	2,306,330	-	567,030	-	2,873,360
Public safety	2,812,541	-	111,148	-	2,923,689
Public works	3,106,221	-	-	-	3,106,221
Health and welfare	1,244	-	-	-	1,244
Parks, recreation and cultural	1,343,240	-	4,040,377	-	5,383,617
Community development	1,121,258	-	-	-	1,121,258
Non-departmental	48,866	-	-	-	48,866
Debt Service:					
Principal	3,091,535	-	-	-	3,091,535
Interest	406,771	-	-	-	406,771
Total Expenditures	<u>14,238,006</u>	<u>-</u>	<u>4,718,555</u>	<u>-</u>	<u>18,956,561</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(283,477)</u>	<u>28</u>	<u>(4,718,555)</u>	<u>285</u>	<u>(5,001,719)</u>
OTHER FINANCING SOURCES (USES):					
Sale of property	14,318	-	-	-	14,318
Insurance recoveries	58,945	-	-	-	58,945
Issuance of debt	9,780,839	-	-	-	9,780,839
Premium on debt proceeds	999,951	-	-	-	999,951
Payment of refunded debt	(1,908,692)	-	-	-	(1,908,692)
Transfers in (out)	(8,944,094)	-	8,944,094	-	-
Total Other Financing Sources (Uses)	<u>1,267</u>	<u>-</u>	<u>8,944,094</u>	<u>-</u>	<u>8,945,361</u>
Net Change in Fund Balance	(282,210)	28	4,225,539	285	3,943,642
Net position at beginning of year as previously reported	7,611,194	-	-	70,192	7,681,386
Prior period restatement (Note 18)	321,733	-	-	-	321,733
FUND BALANCE AT JULY 1, as restated	<u>7,932,927</u>	<u>-</u>	<u>-</u>	<u>70,192</u>	<u>8,003,119</u>
FUND BALANCE AT JUNE 30	<u><u>\$ 7,650,717</u></u>	<u><u>\$ 28</u></u>	<u><u>\$ 4,225,539</u></u>	<u><u>\$ 70,477</u></u>	<u><u>\$ 11,946,761</u></u>

TOWN OF ABINGDON, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

EXHIBIT 6

Net Change in Fund Balance Governmental Funds:	\$ 3,943,642
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	4,862,232
Depreciation expense	<u>(1,026,529)</u>
	<u>3,835,703</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	<u>102,202</u>
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to decrease net position	<u>(17,557)</u>
The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Principal repayments:	
General obligation debt	4,931,518
Capital lease	68,709
Proceeds from debt	<u>(10,780,790)</u>
	<u>(5,780,563)</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest	(56,236)
Compensated absences	7,001
Other post-employment benefits	<u>(81,048)</u>
	<u>(130,283)</u>
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
Employer pension contributions	358,735
Pension expense	<u>(325,631)</u>
	<u>33,104</u>
Change in Net Position of Governmental Activities	<u>\$ 1,986,248</u>

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL -
GENERAL FUND
Year Ended June 30, 2021

EXHIBIT 7

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
General property taxes	\$ 2,921,399	\$ 2,921,399	\$ 3,020,303	\$ 98,904
Other local taxes	5,198,000	5,988,000	6,571,968	583,968
Permits, privilege fees and regulatory licenses	39,200	39,200	27,278	(11,922)
Fines and forfeitures	34,400	34,400	12,623	(21,777)
Revenue from use of money and property	51,675	51,675	38,378	(13,297)
Charges for services	452,250	591,965	660,981	69,016
Miscellaneous	271,000	291,250	223,291	(67,959)
Recovered costs	5,000	951,733	-	(951,733)
Intergovernmental	1,241,658	1,516,830	3,399,707	1,882,877
Total Revenues	<u>10,214,582</u>	<u>12,386,452</u>	<u>13,954,529</u>	<u>1,568,077</u>
EXPENDITURES:				
General government :				
Legislative	136,597	320,652	39,945	280,707
General and financial administration	1,982,843	2,295,355	2,266,385	28,970
Total general government	<u>2,119,440</u>	<u>2,616,007</u>	<u>2,306,330</u>	<u>309,677</u>
Public safety:				
Police	2,044,998	2,344,069	2,177,929	166,140
Fire	478,084	498,510	509,992	(11,482)
Building inspections	125,685	125,685	124,620	1,065
Total public safety	<u>2,648,767</u>	<u>2,968,264</u>	<u>2,812,541</u>	<u>155,723</u>
Public works:				
Maintenance of highways, streets, bridges, and sidewalks	2,017,884	2,018,551	2,529,342	(510,791)
Sanitation and waste removal	282,012	282,012	261,492	20,520
Maintenance of general buildings and grounds	317,866	366,920	315,387	51,533
Total public works	<u>2,617,762</u>	<u>2,667,483</u>	<u>3,106,221</u>	<u>(438,738)</u>
Health and welfare	2,310	2,310	1,244	1,066
Parks, recreation, and cultural	1,194,920	1,509,309	1,343,240	166,069
Community development	901,346	1,158,987	1,121,258	37,729
Non-departmental	52,500	52,500	48,866	3,634
Debt service:				
Principal	721,411	805,466	3,091,535	(2,286,069)
Interest	125,926	125,926	406,771	(280,845)
Total debt service	<u>847,337</u>	<u>931,392</u>	<u>3,498,306</u>	<u>(2,566,914)</u>
Total Expenditures	<u>10,384,382</u>	<u>11,906,252</u>	<u>14,238,006</u>	<u>(2,331,754)</u>
OTHER FINANCING SOURCES (USES):				
Sale of property	610,000	10,000	14,318	4,318
Insurance recoveries	50,000	50,000	58,945	8,945
Issuance of debt	-	-	9,780,839	9,780,839
Premium on debt proceeds	-	-	999,951	999,951
Payment of refunded debt	-	-	(1,908,692)	(1,908,692)
Transfers out	(490,200)	(540,200)	(8,944,094)	(8,403,894)
Total Other Financing Sources (Uses)	<u>169,800</u>	<u>(480,200)</u>	<u>1,267</u>	<u>481,467</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (282,210)</u>	<u>\$ (282,210)</u>

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF NET POSITION -
PROPRIETARY FUND
Year Ended June 30, 2021

EXHIBIT 8

	Sewer Fund
ASSETS	
Cash and cash equivalents	\$ 1,455,828
Receivables, net:	
Accounts	714,830
Accrued interest	448
Due from other governments	-
Due from other funds	547,939
Prepaid expenses	19,852
Restricted Assets:	
Cash	819,271
Capital assets, non-depreciable	694,616
Capital assets, depreciable, net	<u>9,895,931</u>
 Total Assets	 <u>14,148,715</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	322,104
Deferred outflows related to other postemployment benefits	<u>71,826</u>
Total Deferred Outflows of Resources	<u>393,930</u>
 LIABILITIES	
Current Liabilities:	
Accounts payable	33,732
Accrued wages and liabilities	45,244
Payable From Restricted Assets:	
Customer deposits	313,750
Accrued interest	6,810
Long-term liabilities due within one year	<u>842,244</u>
Total Current Liabilities	<u>1,241,780</u>
Noncurrent Liabilities:	
Net pension liability	814,970
Net other postemployment benefit liability	289,041
Long-term liabilities due in more than one year	<u>4,439,135</u>
Total Noncurrent Liabilities	<u>5,543,146</u>
Total Liabilities	<u>6,784,926</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	114,189
Deferred inflows related to other postemployment benefits	<u>49,636</u>
Total Deferred Inflows of Resources	<u>163,825</u>
 NET POSITION	
Net investment in capital assets	5,417,896
Unrestricted	<u>2,175,998</u>
Total Net Position	<u>\$ 7,593,894</u>

**TOWN OF ABINGDON, VIRGINIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION -
PROPRIETARY FUND
Year Ended June 30, 2021**

EXHIBIT 9

	Sewer Fund
OPERATING REVENUES:	
Sewer service charges	\$ 3,080,220
Solid waste charges	61,823
Sewer connection charges	71,818
Miscellaneous	<u>34,025</u>
Total Operating Revenues	<u>3,247,886</u>
OPERATING EXPENSES:	
Personal services	1,034,993
Fringe benefits	696,151
Contractual services	109,066
Other charges	723,104
Depreciation	<u>471,777</u>
Total Operating Expenses	<u>3,035,091</u>
Operating Income	<u>212,795</u>
NON-OPERATING REVENUES (EXPENSES):	
Grant revenue	2,283
Interest income	12,773
Interest expense	<u>(13,446)</u>
Total Non-Operating Revenues (Expenses)	<u>1,610</u>
CHANGE IN NET POSITION	<u>214,405</u>
NET POSITION AT JULY 1	<u>7,379,489</u>
NET POSITION AT JUNE 30	<u>\$ 7,593,894</u>

TOWN OF ABINGDON, VIRGINIA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
Year Ended June 30, 2021

EXHIBIT 10

	<u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 3,206,285
Cash payments to suppliers for goods and services	(1,548,080)
Cash payments to employees for services	(874,539)
Receipts (payment) of customer deposits	14,600
Other operating receipts	34,025
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>832,291</u>
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Grant revenue	2,283
Advances to and from other funds, net	18,865
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>21,148</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital assets purchases	(367,539)
Transfers to other funds	(321,733)
Principal paid on long-term liabilities	(1,097,411)
Proceeds from debt	359,141
Interest paid on long-term liabilities	(8,861)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,436,403)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and dividends on investments	12,776
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>12,776</u>
 DECREASE IN CASH AND CASH EQUIVALENTS	(570,188)
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,845,287</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 2,275,099</u></u>
 Displayed as:	
Cash and Cash Equivalents-Unrestricted	\$ 1,455,828
Restricted Cash	819,271
	<u><u>\$ 2,275,099</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 212,795
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	471,777
Pension & OPEB expense net of employer contributions	171,428
Change in assets and liabilities	
(Increase) decrease in:	
Receivables, net	(7,576)
Prepays	(19,852)
(Decrease) increase in:	
Accounts payable	93
Customer deposits	14,600
Accrued wages and liabilities	(1,865)
Compensated absences	(9,109)
TOTAL ADJUSTMENTS	<u>619,496</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 832,291</u></u>

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

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies

Reporting entity

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

Government-wide and fund financial statements

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

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

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

Measurement focus, basis of accounting, and financial statement presentation

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

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

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

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

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement focus, basis of accounting, and financial statement presentation (Continued)

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

The Town reports the following major governmental funds:

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

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

The *American Rescue Plan Act Fund* is used to account for funds received under the American Rescue Plan Act.

The Town reports the following major proprietary fund:

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

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

Capital Improvement Funds accounts for the previously constructed capital assets which were financed from various sources other than special assessment debt.

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

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

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

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

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

(Continued)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position

Deposits and investments

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

Interfund receivables and payables

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

Inventory

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

Property taxes

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

Capital assets

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

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

Major outlays for capital assets and improvements are capitalized as the projects are constructed.

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

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

Compensated absences

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

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (Continued)

Long-term debt

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

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

Fund balances

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

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town has classified prepaid items and inventory as being nonspendable as these items are not expected to be converted to cash within the next year. The Town also includes the long-term amount of interfund loans, if applicable.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. These amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council or through the Town Council delegating this responsibility to the Town's Finance Director as approved by this fund balance policy.
- Unassigned: This classification includes the residual fund balance for the general fund. The unassigned classification amounts are available for any purpose. Positive unassigned amounts are reported in the general fund only. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

Minimum unassigned fund balance policy

The Town will maintain a minimum unassigned fund balance at the close of each fiscal year equal to the greater of \$5,000,000 or 35% of general governmental revenue (excluding intergovernmental revenues).

(Continued)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (Continued)

Resource flow policy

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

Encumbrances and commitments

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

Net position

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

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

Deferred outflows/inflows of resources

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

Employer pension and other postemployment benefit (OPEB) contributions made after the net pension liability measurement date of June 30, 2020 and prior to the reporting date of June 30, 2021, have been reported as OPEB deferred outflows of resources in the Statement of Net Position as of June 30, 2021. This will be applied to the net pension and OPEB liabilities in the next fiscal year.

Differences between the projected and actual pension and OPEB earnings as of the actuarial measurement date of June 30, 2020 have been reported as a deferred inflow/outflow of resources. This difference will be recognized in pension and OPEB expense over a closed five-year period.

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

Differences between expected and actual experience for economic/demographic factors as well as changes in actuarial assumptions in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.

(Continued)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources (Continued)

Changes in proportion and differences between employer contributions and proportionate share of employer contributions in the Virginia Retirement System's or OPEB cost sharing pool plans. This difference is deferred and recognized in expense over the average remaining service life of the employees who are subject to the plan, and may be reported as a deferred outflow or inflow as appropriate.

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.

Pensions

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

Other postemployment benefits (OPEB)

Local health

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

Health Insurance Credit Program

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

Group Life Insurance Program

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

Line of Duty Act Program

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

(Continued)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

Other postemployment benefits (OPEB) (Continued)

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

Note 2. Stewardship, Compliance, and Accountability

Budgetary information

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

1. Prior to March 30, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the category level. The appropriations for each category can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within governmental departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30 for all the Town units except for the Capital Projects Funds, which carry unexpended balances into the following year on a continuing appropriation basis.
8. All budget data presented in the accompanying financial statements is the revised budget as of June 30, 2021.

Note 3. Deposits and Investments

Deposits

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

Investments

Investment policy

In accordance with state statutes, the current investment policy of the Town authorizes investments in obligations of the United States and agencies thereof, commercial paper, repurchase agreements which are collateralized with

(Continued)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 3. Deposits and Investments (Continued)

Investments (Continued)

Investment policy (Continued)

securities that are approved for direct investment, the Virginia State Non-Arbitrage Program (SNAP) or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (LGIP). Both SNAP and LGIP are not registered with the SEC but are overseen by the Treasurer of Virginia and the State Treasury Board. The fair value of the Town's position in the pools is the same as the value of the pool shares.

Credit risk

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

Concentration of credit risk

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

First Bank & Trust	68%
LGIP & VIP	5%
VSNAP	26%

Custodial credit risk

As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. As of June 30, 2021, all of the Town's investments are held in a bank's trust department in the Town's name.

Deposits and investments consist of the following:

Cash on hand	\$ 1,512
Deposits	8,605,307
LGIP & VIP	1,004,717
VSNAP Bond Escrow	5,141,722
Certificates of deposit	4,900,629
	<u>\$ 19,653,887</u>

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

Cash and cash equivalents	\$ 13,137,565
Restricted cash and cash equivalents	6,516,321
	<u>\$ 19,653,887</u>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 4. Receivables

Receivables at June 30 are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Receivables:		
Taxes	\$ 1,675,676	\$ -
Accounts	111,390	806,020
Other	446,109	448
	<u>2,233,175</u>	<u>806,468</u>
Gross receivables		
Less:		
Allowance for uncollectibles	<u>(227,749)</u>	<u>(91,190)</u>
Net total receivables	<u>\$ 2,005,426</u>	<u>\$ 715,278</u>

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$318,939 at June 30, 2021, and is composed of the following:

General Fund:	
Allowance for uncollectible property taxes	\$ 212,096
Allowance for uncollectible garbage fees	<u>15,653</u>
Total General Fund	<u>\$ 227,749</u>
Sewer Fund:	
Allowance for uncollectible sewer fee billings	\$ <u>91,190</u>
Total Sewer Fund	<u>\$ 91,190</u>

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

	<u>General Fund</u>	<u>Governmental Activities</u>
Property taxes receivable	\$ 1,438,255	\$ 1,085,102
Prepaid taxes	<u>6,963</u>	<u>6,963</u>
	<u>\$ 1,445,218</u>	<u>\$ 1,092,065</u>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 5. Due from Other Governmental Units

Due from other governments consists of the following:

Commonwealth of Virginia:		
Virginia Department of Transportation	\$	52,351
Local sales tax		51,435
Department of Accounts		1,152
Department of Motor Vehicles		1,774
Department of Housing & Community Development		18,600
Total Commonwealth of Virginia		<u>125,312</u>
County and Other:		
Court Fines-County		1,241
E-Summons		930
Total Due from Other Governmental Units	\$	<u>127,483</u>

Note 6. Interfund Obligations

Interfund obligations consist of the following:

<u>Receivable</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Rehabilitation Fund	\$ 718
	Cemetery Fund	1,332
		<u>2,050</u>
Sewer	General	547,939
		<u>\$ 549,989</u>

Note 7. Capital Asset Depreciation

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

Governmental Activities:	
General government	\$ 126,865
Public safety	280,325
Public works	257,460
Parks, recreation, and cultural	265,711
Community development	<u>96,168</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 1,026,529</u>
Business-Type Activities:	
Sewer	<u>\$ 471,777</u>
Total Depreciation Expense – Business-Type Activity	<u>\$ 471,777</u>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 8. Capital Assets

The following is a summary of changes in capital assets:

	Restated Beginning Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
Governmental Activities:				
Capital assets, non-depreciable:				
Land	\$ 9,803,323	\$ -	\$ -	\$ 9,803,323
Construction in progress	8,192,066	3,785,688	593,857	11,383,897
Total capital assets, non-depreciable	<u>17,995,389</u>	<u>3,785,688</u>	<u>593,857</u>	<u>21,187,220</u>
Capital assets, depreciable:				
Buildings and improvements	11,830,334	11,679	-	11,842,013
Infrastructure/improvements	8,071,225	624,262	-	8,695,487
Vehicles	3,439,263	278,714	30,097	3,687,880
Furniture and equipment	2,049,510	755,746	-	2,805,256
Total capital assets, depreciable	<u>25,390,332</u>	<u>1,670,401</u>	<u>30,097</u>	<u>27,030,636</u>
Less Accumulated Depreciation For:				
Buildings and improvements	6,001,494	326,005	-	6,327,499
Infrastructure/improvements	2,351,689	242,892	-	2,594,581
Vehicles	2,680,759	163,439	12,540	2,831,658
Furniture and equipment	1,565,846	294,193	-	1,860,039
Total accumulated depreciation	<u>12,599,788</u>	<u>1,026,529</u>	<u>12,540</u>	<u>13,613,777</u>
Total capital assets, depreciable net	<u>12,790,544</u>	<u>643,872</u>	<u>17,557</u>	<u>13,416,859</u>
Net capital assets	<u>\$ 30,785,933</u>	<u>\$ 4,429,560</u>	<u>\$ 611,414</u>	<u>\$ 34,604,079</u>

(Continued)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 8. Capital Assets (Continued)

	Restated Beginning Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
Business-Type Activities:				
Capital assets, non-depreciable:				
Land	\$ 25,010	\$ -	\$ -	\$ 25,010
Construction in progress	390,128	279,478	-	669,606
Total capital assets, non-depreciable	<u>415,138</u>	<u>279,478</u>	<u>-</u>	<u>694,616</u>
Capital assets, depreciable:				
Buildings and improvements	173,928	-	-	173,928
Plant	23,220,736	-	-	23,220,736
Distribution and collection lines	6,208,919	-	-	6,208,919
Vehicles	988,343	14,099	-	1,002,442
Furniture and equipment	1,896,732	73,962	-	1,970,694
Total capital assets, depreciable	<u>32,488,658</u>	<u>88,061</u>	<u>-</u>	<u>32,576,719</u>
Less Accumulated Depreciation For:				
Buildings and improvements	108,680	4,306	-	112,986
Plant	15,983,486	257,366	-	16,240,852
Distribution and collection lines	3,852,834	81,184	-	3,934,018
Vehicles	849,508	49,832	-	899,340
Furniture and equipment	1,414,503	79,089	-	1,493,592
Total accumulated depreciation	<u>22,209,011</u>	<u>471,777</u>	<u>-</u>	<u>22,680,788</u>
Total capital assets, depreciable net	<u>\$ 10,279,647</u>	<u>\$ (383,716)</u>	<u>\$ -</u>	<u>\$ 9,895,931</u>

Note 9. Long-Term Debt

Changes in long-term liabilities consist of the following:

	Beginning Balance 7/1/2020	Increases	Decreases	Balance 6/30/2021	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 9,408,692	\$ 9,780,839	\$ 4,790,692	\$ 14,398,839	\$ 386,775
Bond premiums	-	999,951	-	999,951	-
Notes payable	414,790	-	140,826	273,964	142,462
Capital leases	276,195	-	68,709	207,486	49,152
Compensated absences	477,763	436,396	443,397	470,762	329,533
Total	<u>\$ 10,577,440</u>	<u>\$ 11,217,186</u>	<u>\$ 5,443,624</u>	<u>\$ 16,351,002</u>	<u>\$ 907,922</u>
Business-Type Activities:					
General obligation bonds	\$ -	\$ 339,161	\$ 18,000	\$ 321,161	\$ 18,225
Bond premiums	-	19,980	484	19,496	-
Revenue bonds	5,716,207	-	1,028,734	4,687,473	692,949
Notes payable	187,904	-	50,193	137,711	50,193
Compensated absences	124,647	108,166	117,275	115,538	80,877
Total	<u>\$ 6,028,758</u>	<u>\$ 467,307</u>	<u>\$ 1,214,686</u>	<u>\$ 5,281,379</u>	<u>\$ 842,244</u>

(Continued)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 9. Long-Term Debt (Continued)

Governmental activities:

Refunding bonds

The Town issued general obligation refunding bonds (Series 2013) dated November 22, 2013 in the amount of \$2,469,600 to refund general obligation bonds and general obligation refunding bonds that were originally issued in the amounts of \$1,371,000 and \$1,500,000, respectively. The bond did bear an interest rate of 2.25% and was refunded with the Series 2020 bond noted below in October 2020.

The Town issued general obligation refunding bond (Series 2019) dated October 30, 2019 in the amount of \$7,500,000 to refund a portion of the general obligation bond (Series 2016), issued by the Town in the original amount of \$10,000,000 and to pay the costs of issuing this bond. The new bond bears an interest rate of 2.89% and is due in annual installments due and payable on January 15, 2023 and annually thereafter to and including January 15, 2042 with interest payable semi-annually on January 15 and July 15 each year, commencing on July 15, 2020.

The Town issued general obligation refunding bond (Series 2020) dated October 22, 2020 in the amount of \$7,620,000 to refund a portion of the general obligation bond (Series 2013), issued by the Town in the original amount of \$7,500,000 and to pay the costs of issuing this bond. The new bond bears an interest rate of 3-5% and is due in annual installments due and payable on January 15, 2031 and annually thereafter to and including January 15, 2046 with interest payable semi-annually on January 15 and July 15 each year, commencing on July 15, 2021.

Notes payable – direct borrowings

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

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

The Town entered into a collateralized loan agreement with Highlands Union Bank on October 30, 2018. The note was to purchase a 2019 Peterson Lightning Loader and is collateralized by the same. Principal and interest installments of \$31,211 are due annually beginning May 5, 2019 and continuing until maturity on May 5, 2023. The interest rate on the loan is 3.00%. In the event of default on these direct borrowings, the debt would potentially be called and the asset held in collateral could be taken back by the bank.

The Town entered into a collateralized loan agreement with First Bank and Trust Company on January 28, 2020. The note was for technology upgrades and is collateralized by funds held in account at First Bank and Trust. Principal installments of \$37,681 are due annually until maturity at January 2024. The interest rate on the loan is 1.40% and interest payments are due semi-annually beginning July 2020 for the life of the loan.

General obligation bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities of the primary government. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. The outstanding balance at year-end is a reflection of the total amount drawn as of June 30, 2021.

(Continued)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 9. Long-Term Debt (Continued)

General Obligation Bonds	Issue Amount	Interest Rates	Principal Requirements	Total Outstanding
General Obligation Refunding Bonds 2019	\$ 7,500,000	2.89%	\$282,000 to \$485,000	\$ 7,500,000
General Obligation Refunding Bonds 2020	8,280,790	3-5%	\$167,125 to \$425,975	6,898,839
Total General Obligation Bonds				<u>\$ 14,398,839</u>

Capital leases

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

Capital Leases	Original Issue Amount	Interest Rates	Annual Principal Requirements	Total Outstanding
Fire Truck	\$ 558,827	3.50%	\$41,184 to \$54,655	207,486
Total General Obligation Bonds				<u>\$ 207,486</u>

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

Governmental Activities						
Year Ending June 30,	General Obligation Bonds		Notes		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 386,775	\$ 475,889	\$ 142,462	\$ 5,337	\$ 49,152	\$ 7,471
2023	692,650	460,418	93,820	2,754	50,922	5,700
2024	843,900	431,736	37,682	536	52,756	3,867
2025	709,650	401,199	-	-	54,656	1,968
2026	731,975	376,132	-	-	-	-
2027-2031	2,875,525	1,542,388	-	-	-	-
2032-2036	2,920,425	1,112,411	-	-	-	-
2037-2041	3,378,775	658,844	-	-	-	-
2042-2046	1,859,164	179,122	-	-	-	-
Totals	<u>\$ 14,398,839</u>	<u>\$ 5,638,139</u>	<u>\$ 273,964</u>	<u>\$ 8,627</u>	<u>\$ 207,486</u>	<u>\$ 19,006</u>

Business-type activities

Notes payable-direct borrowings

The Town entered into a loan agreement with First Bank and Trust Company on October 4, 2018. The note was for sewer equipment and is collateralized with a certificate of deposit. Principal installments of \$31,531 are due annually until maturity at October 4, 2023. The interest rate on the loan is 3.00% and interest payments are due semi-annually for the life of the loan. In the event of default on these direct borrowings, the debt would potentially be called and the asset held in collateral could be taken back by the bank.

(Continued)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 9. Long-Term Debt (Continued)

Notes payable-direct borrowings (Continued)

The Town entered into a loan agreement with First Bank and Trust Company on October 21, 2019. The note was for sewer equipment and is collateralized with the equipment (2020 Kenworth). Principal installments of \$18,662 are due annually beginning August 2020 until maturity at August 21, 2024. The interest rate on the loan is 2.75% and interest payments are due semi-annually for the life of the loan.

Revenue bonds

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

Revenue Bonds	Original Issue Amount	Interest Rates	Annual Principal Requirements	Total Outstanding
2004 Revenue Bond	\$ 9,798,168	0%	\$ 597,529	\$ 3,585,176
2011 Revenue Bond	\$ 1,908,392	0%	\$ 95,420	1,102,297
Total Revenue Bonds				<u>\$ 4,687,473</u>

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

Year Ending June 30,	Revenue Bonds		Notes		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 692,949	\$ -	\$ 50,193	\$ 3,828	\$ 18,225	\$ 12,211
2023	692,949	-	50,193	2,358	19,350	11,482
2024	692,949	-	18,662	890	26,100	10,514
2025	692,949	-	18,663	261	19,350	9,470
2026	692,949	-	-	-	20,025	8,696
2027-2031	1,074,630	-	-	-	56,475	34,067
2032-2036	148,098	-	-	-	46,575	25,906
2037-2041	-	-	-	-	54,225	18,470
2042-2046	-	-	-	-	60,836	11,695
Totals	<u>\$ 4,687,473</u>	<u>\$ -</u>	<u>\$ 137,711</u>	<u>\$ 7,337</u>	<u>\$ 321,161</u>	<u>\$ 142,511</u>

(Continued)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 10. Fund Balances—Governmental Funds

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

	General Fund	Capital Projects Fund	American Rescue Plan Act Fund	Non-major Governmental Funds	Total Governmental Funds
Non-spendable:					
Prepays	\$ 96,627	\$ -	\$ -	\$ -	\$ 96,627
Inventory	2,849	-	-	-	2,849
Total Non-spendable	99,476	-	-	-	99,476
Restricted:					
Capital projects	26,993	4,225,539	28	58,338	4,310,898
Cemetery	-	-	-	12,139	12,139
Parks, recreation, and cultural	6,771	-	-	-	6,771
Public safety	7,964	-	-	-	7,964
Total Restricted	41,728	4,225,539	28	70,477	4,337,772
Unassigned	7,509,213	-	-	-	7,509,213
Total Fund Balances	\$ 7,650,717	\$ 4,225,539	\$ 28	\$ 70,477	\$ 11,946,461

At June 30, 2021, the Capital Projects Fund had a deficit in fund balance of \$786,069. This deficit is anticipated to be recovered through future transfers of funds from the Town.

Note 11. Defined Benefit Pension Plan

Plan description

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

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

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

(Continued)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 11. Defined Benefit Pension Plan (Continued)

Plan description (Continued)

Employees covered by benefit terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>78</u>
Inactive members:	
Vested	16
Non-vested	37
Active elsewhere in VRS	<u>33</u>
Total inactive members	86
Active members	<u>126</u>
Total covered employees	<u><u>290</u></u>

Contributions

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

The Town's contractually required contribution rate for the year ended June 30, 2021 was 9.93% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$445,205 and \$510,099 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net pension liability

The Town's net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Town, the net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

(Continued)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 11. Defined Benefit Pension Plan (Continued)

Actuarial assumptions – general employees

The total pension liability for general employees and public safety employees with hazardous duty benefits in the Town's retirement plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.5 percent
General employees-salary increases, including inflation	3.5 percent – 5.35 percent
Public safety employees with hazardous duty benefits-salary increases, including inflation.	3.50 percent – 4.75 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 45% to 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20% (Largest 10) or 15% (All Others), and decreased discount rate from 7.00% to 6.75%.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, no changes to salary scale, and decreased discount rate from 7.00% to 6.75%.

(Continued)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 11. Defined Benefit Pension Plan (Continued)

Long-term expected rate of return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS – Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP – Private Investment Partnership	3.00%	6.49%	0.19%
	<u>100.00%</u>		<u>4.64%</u>
Inflation			<u>2.50%</u>
			<u>7.14%</u>

*Expected arithmetic nominal return

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019 the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 11. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that system member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2019	\$ 22,952,316	\$ 19,899,366	\$ 3,052,950
Changes for the year:			
Service Cost	540,470	-	540,470
Interest	1,512,795	-	1,512,795
Difference between expected and actual experience	207,364	-	207,364
Contributions - employer	-	509,937	(509,937)
Contributions - employee	-	243,365	(243,365)
Net investment income	-	377,613	(377,613)
Benefit payments, including refunds of employee contributions	(1,081,087)	(1,081,087)	-
Administrative expense	-	(12,898)	12,898
Other changes	-	(449)	449
Net Changes	1,179,342	36,481	1,143,061
Balances at June 30, 2020	\$ 24,131,858	\$ 19,935,847	\$ 4,196,011

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Town using the discount rate of 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Plan's Net Pension Liability	\$7,388,724	\$4,196,011	\$1,556,105

Continued)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 11. Defined Benefit Pension Plan (Continued)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended June 30, 2021, the Town recognized pension expense of \$568,717. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 277,760	\$ 563,839
Changes of assumptions	339,270	24,082
Net difference between projected and actual earnings on pension plan investments	-	-
Employer contributions subsequent to the measurement date	445,205	-
Total	<u>\$ 1,658,404</u>	<u>\$ 587,921</u>

The \$445,205 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ending June 30	Increase (Reduction) to Pension Expense
2022	\$ 25,082
2023	161,295
2024	248,084
2025	190,817
2026	-
Thereafter	-
	<u><u>\$ 625,278</u></u>

(Continued)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 11. Defined Benefit Pension Plan (Continued)

Pension plan data

Information about the VRS Political Subdivision Retirement Plan's is also available in the separately issued VRS 2020 Annual Comprehensive Financial Report (ACFR). A copy of the 2020 VRS ACFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the pension plan

At June 30, 2021, the Town reported a payable of \$54,433 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

Note 12. Other Post-Employment Benefits Liability (OPEB)-Locality Plan

Plan description

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

Benefits provided

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

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

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

General Employees Plan 1

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

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

General Employees Plan 2 and Hybrid Plan

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

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

Public Safety Employees Plan 1 and Plan 2

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

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

(Continued)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 12. Other Post-Employment Benefits Liability (OPEB)-Locality Plan (Continued)

Employees covered by benefit terms

At July 1, 2020, the following employees were covered by the benefit terms:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>2</u>
Total inactive members	2
Active members	<u>109</u>
Total covered employees	<u><u>111</u></u>

Total OPEB Liability

The Town's Total OPEB Liability of \$872,194 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2020.

Actuarial assumptions and other inputs

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.50 – 5.35 percent
Healthcare cost trend rates	4.90 percent in 2020, then graded to 4.10% through fiscal year 2073.
Retirees' share of benefit-related costs	100% of projected health insurance premiums for retirees

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

Mortality rates:

Pre-Retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males 85% of rates; females set forward 1 year. 25% of deaths are assumed to be service-related.
Post-Retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.5% increase compounded from ages 70 to 85; females set back 1 year.
Post-Disablement:	RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the July 1, 2020 valuation are predominantly consistent with those used in the June 30, 2021 valuation of the Virginia Retirement System (General Employees Assumptions, Plan 1, Plan 2, and Hybrid Plan)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 12. Other Post-Employment Benefits Liability (OPEB)-Locality Plan (Continued)

Changes in total OPEB liability

	<u>Total OPEB Liability</u>
Total OPEB Liability--Balance at June 30, 2020	\$ 976,613
Changes for the year:	
Service Cost	87,138
Interest	23,296
Changes of benefit terms	-
Differences between expected and actual experience	(194,054)
Changes in assumptions or other inputs	(1,395)
Benefit payments	(19,404)
Net change in OPEB Liability	<u>(104,419)</u>
Total OPEB Liability--Balance at June 30, 2021	<u>\$ 872,194</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.21% in 2020 to 2.16% in 2021.

Sensitivity of the total OPEB liability to changes in the discount rates

The following presents the Town's total OPEB liability calculated using the discount rate of 2.16%. It also presents what the Town's OPEB liability would be if it were calculated used a discount rate on percentage point lower (1.16%) and one percentage point higher (3.16%) than the current rate:

	<u>1.00% Decrease (1.16%)</u>	<u>Discount Rate (2.16%)</u>	<u>1.00% Increase (3.16%)</u>
Total OPEB Liability	<u>\$ 953,103</u>	<u>\$ 872,194</u>	<u>\$ 795,871</u>

(Continued)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 12. Other Post-Employment Benefits Liability (OPEB)-Locality Plan (Continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

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

	<u>1.00 % Decrease in Trend Rate</u>	<u>Current Trend Rate</u>	<u>1.00% Increase in Trend Rate</u>
Total OPEB Liability	\$ 732,846	\$ 872,194	\$ 1,042,437

OPEB expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended June 30, 2021, the Town recognized OPEB expense of \$99,611. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 175,719
Changes in assumptions or other inputs	92,315	15,415
Total	<u>\$ 92,315</u>	<u>\$ 191,134</u>

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

Year ended June 30

2022	\$ (10,823)
2023	(10,823)
2024	(10,824)
2025	(6,094)
2026	(6,094)
Thereafter	(54,161)
	<u>\$ (98,819)</u>

(Continued)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 13. Other Post-Employment Benefits Liability-Virginia Retirement System Plans

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

Plan descriptions

Group Life Insurance Program

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

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

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

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

General Employee Health Insurance Credit Program

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

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

As of the June 30, 2019, actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	27
Inactive members:	
Vested	0
Non-vested	0
Active elsewhere in VRS	0
Total inactive members	27
Active members	126
Total covered employees	153

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 13. Other Post-Employment Benefits Liability-Virginia Retirement System Plans (Continued)

Line of Duty Act Program

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

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

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2019. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia</i> 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2021 Contribution	\$ 25,691
June 30, 2020 Contribution	\$ 26,687

General Employee Health Insurance Credit Program

Governed by:	<i>Code of Virginia</i> 51.1-1402 (E) and 51.1-508 and may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly.
Total rate:	0.26% of covered employee compensation.
June 30, 2021 Contribution	\$ 21,711
June 30, 2020 Contribution	\$ 13,343

Line of Duty Act Program

Governed by:	<i>Code of Virginia</i> 9-1-400.1 and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	\$717.34 per covered full-time-equivalent employee. Based on pay-as-you-go funding rate.
June 30, 2021 Contribution	\$ 18,650
June 30, 2020 Contribution	\$ 16,938

(Continued)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 13. Other Post-Employment Benefits Liability-Virginia Retirement System Plans (Continued)

OPEB liabilities, OPEB expense and deferred inflows and outflows of resources related to OPEB

The net OPEB liabilities were measured as of June 30, 2020 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the net OPEB liabilities, except for LODA, were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. LODA proportion was determined based on pay-as-you-go employer contributions instead of actuarially determined contributions.

Group Life Insurance Program

June 30, 2021 proportionate share of liability	\$ 416,208
June 30, 2020 proportion	0.02494 %
June 30, 2019 proportion	0.02621 %
June 30, 2021 expense	\$ 2,792

Line of Duty Act Program

June 30, 2021 proportionate share of liability	\$ 522,012
June 30, 2020 proportion	0.12464 %
June 30, 2019 proportion	0.12464 %
June 30, 2021 expense	\$ 44,416

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

General Employee Health Insurance Credit

Changes in net OPEB liability of the General Health Insurance Credit Program were as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at June 30, 2019	\$ 106,965	\$ 1,750	\$ 105,215
Changes for the year:			
Service cost	4,868	-	4,868
Interest	6,795	-	6,795
Difference between expected and actual experience	96,256	-	96,256
Contributions - employer	-	13,339	(13,339)
Contributions - employee	-	-	-
Net investment income	-	27	(27)
Benefit payments, including refunds of employee contributions	(12,600)	(12,600)	-
Administrative expense	-	(4)	4
Other changes	-	-	-
Net changes	95,319	762	94,557
Balances at June 30, 2020	\$ 202,284	\$ 2,512	\$ 199,772

In addition, for the year ended June 30, 2021, the Town recognized OPEB expense of \$14,079 related to General Employee Health Insurance Credit Program.

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 13. Other Post-Employment Benefits Liability-Virginia Retirement System Plans (Continued)

General Employee Health Insurance Credit (Continued)

At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,696	\$ 3,738
Changes of assumptions	20,815	8,691
Net difference between projected and actual earnings on OPEB plan investments	12,503	-
Changes in proportion	-	51,998
Employer contributions subsequent to the measurement date	25,691	-
Total	<u>\$ 85,705</u>	<u>\$ 64,427</u>

General Employee Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 167,042	\$ -
Changes of assumptions	2,961	-
Net difference between projected and actual earnings on OPEB plan investments	72	-
Employer contributions subsequent to the measurement date	21,711	-
Total	<u>\$ 191,786</u>	<u>\$ -</u>

Line of Duty Act Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 55,413	\$ 71,168
Changes of assumptions	139,746	32,529
Net difference between projected and actual earnings on OPEB plan investments	-	742
Changes in proportion	6,464	30,180
Employer contributions subsequent to the measurement date	18,650	-
Total	<u>\$ 220,273</u>	<u>\$ 134,619</u>

(Continued)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 13. Other Post-Employment Benefits Liability-Virginia Retirement System Plans (Continued)

The deferred outflows of resources related to OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program

Year Ended June 30	Increase (Reduction) to OPEB Expense
2022	\$ (6,810)
2023	(3,280)
2024	808
2025	5,805
2026	(458)
Thereafter	(478)
	<u>\$ (4,413)</u>

General Employee Health Insurance Credit Program

Year Ended June 30	Increase (Reduction) to OPEB Expense
2022	\$ 24,262
2023	24,262
2024	24,262
2025	24,270
2026	24,246
Thereafter	48,773
	<u>\$ 170,075</u>

Line of Duty Act Program

Year Ended June 30	Increase (Reduction) to OPEB Expense
2022	\$ 8,701
2023	8,802
2024	8,910
2025	8,942
2026	8,976
Thereafter	22,673
	<u>\$ 67,004</u>

(Continued)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 13. Other Post-Employment Benefits Liability-Virginia Retirement System Plans (Continued)

Actuarial assumptions and other inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2020, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021:

Inflation	2.5%
Salary increases, including inflation:	
• Locality - general employees	3.5 – 5.35%
• Locality - hazardous duty employees	3.5 – 4.75%
Healthcare cost trend rates:	
• Under age 65	7.00 – 4.75%
• Ages 65 and older	3.75 – 4.75%
Investment rate of return, net of expenses, including inflation*	GLI & HIC 6.75%; LODA 2.21%

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be the percent noted above to simplify preparation of OPEB liabilities.

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

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Line of Duty Act Program
Total OPEB Liability	\$ 3,523,937	\$ 423,147
Plan fiduciary net position	1,855,102	4,333
Employers' net OPEB liability (asset)	\$ 1,668,835	\$ 418,814
Plan fiduciary net position as a percentage of total OPEB liability	52.64%	1.02%

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

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 13. Other Post-Employment Benefits Liability-Virginia Retirement System Plans (Continued)

Long-Term Expected Rate of Return

Group Life Insurance and Health Insurance Credit Program

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
	<u>100.00%</u>		<u>4.64%</u>
Inflation			<u>2.50%</u>
			<u>7.14%</u>

* Expected arithmetic nominal return

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

Line of Duty Act Program

The long-term expected rate of return on LODA Program OPEB investments was set at 2.21% for his valuation. Since LODA Program is funded on a current-disbursement basis, it is not able to use the System's Pooled Investments' 6.75% assumption. Instead, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2020.

(Continued)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 13. Other Post-Employment Benefits Liability-Virginia Retirement System Plans (Continued)

Discount rate

The discount rate used to measure the GLI and HIC OPEB liabilities was 6.75%. The discount rate used to measure the LODA OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of 45 Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the employer's proportionate share of the net GLI OPEB liabilities using the discount rate (6.75% GLI & HIC/2.21% LODA), as well as what the Town's proportionate share of the net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (5.75% GLI & HIC/1.21% LODA) or one percentage point higher (7.75% GLI & HIC/3.21% LODA) than the current rate:

	1.00 % Decrease	Current Discount	1.00% Increase
	(5.75%)	Rate	(7.75%)
		(6.75%)	
GLI Net OPEB Liability	\$ 547,138	\$ 416,208	\$ 309,881
HIC Net OPEB Liability	\$ 223,434	\$ 199,772	\$ 179,774
	(1.21%)	(2.21%)	(3.21%)
LODA Net OPEB Liability	\$ 502,047	\$ 522,012	\$ 391,856

(Continued)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 13. Other Post-Employment Benefits Liability-Virginia Retirement System Plans (Continued)

Sensitivity of the LODA net OPEB liability to changes in the healthcare cost trend rates

Because the Line of Duty Act (LODA) Program contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the healthcare cost trend rates. The following presents the LODA net OPEB liability of the Town using health care trend rate of 7.00% decreasing to 4.75%, as well as what the Town's LODA net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current healthcare cost trend rates:

	1.00% Decrease (6.0% decreasing to 3.75%)	Current Healthcare Cost Trend Rates (7.0% decreasing to 4.75%)	1.00% Increase (8.0% decreasing to 5.75%)
Net LODA OPEB Liability	\$ 380,929	\$ 522,012	\$ 515,457

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2020 Annual Comprehensive Financial Report (ACFR). A copy of the 2020 VRS ACFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the OPEB Plan

At June 30, 2021, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to June 2021 payroll.

- Group Life Insurance \$5,196
- General Employee HIC \$1,755

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 14. SUMMARY OF PENSION AND OTHER POSTEMPLOYMENT BENEFIT ELEMENTS

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

	Governmental Activities	Business-Type Activities	Total Primary Government
Deferred outflows of resources - Related to Pensions			
Deferred inflow-Differences in expected/actual and assumptions			
VRS-Defined Benefit Pension Plan	\$ 977,565	\$ 235,634	\$ 1,213,199
Deferred outflow-Contributions after the measurement date			
VRS-Defined Benefit Pension Plan	358,735	86,470	445,205
Total deferred outflow of resources - Pensions	<u>\$ 1,336,300</u>	<u>\$ 322,104</u>	<u>\$ 1,658,404</u>
Deferred outflows of resources - OPEB			
Deferred outflow-Differences in expected/actual, experience and assumptions			
VRS-LODA	\$ 201,623	\$ -	\$ 201,623
VRS-HIC-OPEB Program	137,042	33,033	170,075
VRS-GLI-OPEB Program	48,358	11,656	60,014
Local Health-Single Agent-Defined benefit	74,385	17,930	92,315
Deferred outflow-Contributions after the measurement date			
VRS-LODA-OPEB Program	18,650	-	18,650
VRS-HIC-OPEB Program	17,494	4,217	21,711
VRS-GLI-OPEB Program	20,701	4,990	25,691
Total deferred outflow of resources - OPEB	<u>\$ 518,253</u>	<u>\$ 71,826</u>	<u>\$ 590,079</u>
Net pension liability			
VRS-Defined Benefit Pension Plan	\$ 3,381,041	\$ 814,970	\$ 4,196,011
Total net pension liability	<u>\$ 3,381,041</u>	<u>\$ 814,970</u>	<u>\$ 4,196,011</u>
Net OPEB liability			
Local Health	\$ 702,792	\$ 169,402	\$ 872,194
VRS-LODA	522,012	-	522,012
VRS-HIC-OPEB Program	160,971	38,801	199,772
VRS-GLI	335,370	80,838	416,208
Total net OPEB liability	<u>\$ 1,721,145</u>	<u>\$ 289,041</u>	<u>\$ 2,010,186</u>
Deferred inflows of resources - Related to Pensions			
Deferred inflow-Differences in expected/ actual and assumptions			
VRS-Defined Benefit Pension Plan	\$ 473,732	\$ 114,189	\$ 587,921
Total deferred inflow of resources - Pensions	<u>\$ 473,732</u>	<u>\$ 114,189</u>	<u>\$ 587,921</u>
Deferred inflows of resources - OPEB			
Deferred inflows-Differences in expected/actual and assumptions			
VRS-LODA-Cost Sharing-Multiple-Employer	\$ 134,619	\$ -	\$ 134,619
VRS-GLI-Cost Sharing-Multiple-Employer	51,914	12,513	64,427
Deferred inflow-Differences in expected/actual and experience			
Local Health-Single Agent-Defined benefit	154,011	37,123	191,134
Total deferred inflow of resources - OPEB	<u>\$ 340,544</u>	<u>\$ 49,636</u>	<u>\$ 390,180</u>

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 15. Tax Abatements

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

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

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

For the year ended June 30, 2021, the Town abated taxes as follows:

<u>Tax Abatement Program</u>	<u>Amount Abated</u>
Rehabilitation Tax Exemption	\$ 31,137
Historic District Tax Abatement	12,071

Note 16. Commitments and Contingencies

Litigation

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

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 17. Risk Management

The risk management of the Town is as follows:

General Liability and Other

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

Worker's Compensation

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

Surety Bonds

The Town has a Surety Blanket Bond in the amount of \$1,000,000 with USF&G Insurance Company.

Note 18. Prior Period Adjustment

An adjustment to beginning fund balance has been recorded to the general fund to recognize an error in the prior year in which \$321,733 was expended on the fund basis and incorrectly placed into construction-in-progress for governmental activities and should have been recorded as construction-in-progress for the business-type activities. Therefore, an adjustment to increase the general fund's fund balance as of July 1, 2020 totaling \$321,733 has been recognized in the statement of revenues, expenses, and changes in net position. The error resulted in an understatement of construction-in-progress of \$321,733 for the business-type activities for the year ending June 30, 2020 and an overstatement of governmental activities construction in progress in the same amount.

Note 19. Subsequent Events

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Town's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, supplier, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Town is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

In September 2021, the Town entered into an operations and maintenance agreement with a private entity for the Town's wastewater treatment and collection system. The commencement date of the contract is set for January 1, 2022, and will run for a period of five years.

Note 20. Future Accounting Pronouncements

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

The GASB issued **Statement No. 87, Leases** in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after June 15, 2021.

The GASB issued **Statement No. 90, Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61** in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

(Continued)

TOWN OF ABINGDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 20. Future Accounting Pronouncements (Continued)

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

The GASB issued **Statement No. 91, *Conduit Debt Obligations*** in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued **Statement No. 92, *Omnibus***. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 93, *Replacement of Interbank Offered Rates***. This Statement addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements***. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued **Statement No. 96, *Subscription-Based Information Technology Arrangements***. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In June 2020, the GASB issued **Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32***. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ABINGDON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2021

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability						
Service cost	\$ 540,470	\$ 519,871	\$ 562,833	\$ 498,793	\$ 485,771	\$ 487,115
Interest	1,512,795	1,527,101	1,317,996	1,308,047	1,249,531	1,244,997
Changes of benefit terms	-	-	1,686,531	-	-	-
Differences between expected and actual experience	207,364	(1,072,292)	459,568	(423,509)	(85,461)	(935,088)
Changes in assumptions	-	689,034	-	(284,406)	-	-
Benefit payments, including refunds of employee contributions	(1,081,087)	(1,054,247)	(1,025,177)	(888,423)	(739,385)	(725,110)
Net change in total pension liability	<u>1,179,542</u>	<u>609,467</u>	<u>3,001,751</u>	<u>210,502</u>	<u>910,456</u>	<u>71,914</u>
Total pension liability - beginning	<u>22,952,316</u>	<u>22,342,849</u>	<u>19,341,098</u>	<u>19,130,596</u>	<u>18,220,140</u>	<u>18,148,226</u>
Total pension liability - ending	<u>\$ 24,131,858</u>	<u>\$ 22,952,316</u>	<u>\$ 22,342,849</u>	<u>\$ 19,341,098</u>	<u>\$ 19,130,596</u>	<u>\$ 18,220,140</u>
Plan fiduciary net position						
Contributions - employer	\$ 509,937	\$ 512,773	\$ 415,580	\$ 345,847	\$ 446,529	\$ 436,232
Contributions - employee	243,365	245,438	208,601	271,557	280,345	260,646
Net investment income	377,613	1,260,226	1,324,041	1,983,557	283,492	708,070
Benefit payments, including refunds of employee contributions	(1,081,087)	(1,054,247)	(1,025,177)	(888,423)	(739,385)	(725,110)
Administrative expense	(12,898)	(12,459)	(11,494)	(11,494)	(9,853)	(9,567)
Other	(449)	(794)	(1,176)	(1,763)	(119)	(152)
Net change in total pension liability	<u>36,481</u>	<u>950,937</u>	<u>910,375</u>	<u>1,699,281</u>	<u>261,009</u>	<u>670,119</u>
Total pension liability - beginning	<u>19,899,366</u>	<u>18,948,429</u>	<u>18,038,054</u>	<u>16,338,773</u>	<u>16,077,764</u>	<u>15,407,645</u>
Total pension liability - ending	<u>\$ 19,935,847</u>	<u>\$ 19,899,366</u>	<u>\$ 18,948,429</u>	<u>\$ 18,038,054</u>	<u>\$ 16,338,773</u>	<u>\$ 16,077,764</u>
Town's net pension liability - ending	<u>\$ 4,196,011</u>	<u>\$ 3,052,950</u>	<u>\$ 3,394,420</u>	<u>\$ 1,303,044</u>	<u>\$ 2,791,823</u>	<u>\$ 2,142,376</u>
Plan fiduciary net position as a percentage of the total pension liability	82.61%	86.70%	84.81%	93.26%	85.41%	88.24%
Covered payroll	\$ 5,132,041	\$ 5,134,606	\$ 5,147,591	\$ 5,397,697	\$ 5,467,229	\$ 5,154,890
Town's net pension liability as a percentage of covered payroll	81.76%	59.46%	65.94%	24.14%	51.06%	41.56%

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

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

Fiscal Year	Contributions in Relation to			Contributions as a % of		
	Actuarilly Determined Contribution	Actuarilly Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Covered Payroll	
2021	\$ 445,205	\$ 445,205	\$ -	\$ 4,719,818	9.43%	
2020	510,099	510,099	-	5,132,041	9.94%	
2019	513,474	513,474	-	5,134,606	10.00%	
2018	500,449	500,449	-	5,147,591	9.72%	
2017	344,652	344,652	-	5,397,697	6.39%	
2016	392,213	392,213	-	5,467,229	7.17%	
2015	437,062	437,062	-	5,154,890	8.48%	
2014	484,889	484,889	-	5,207,804	9.31%	
2013	766,806	766,806	-	5,370,500	14.28%	
2012	593,883	593,883	-	5,321,773	11.16%	

TOWN OF ABINGDON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
June 30, 2021

	Plan Year			
	2021	2020	2019	2018
	<u>Local Plan</u>	<u>Local Plan</u>	<u>Local Plan</u>	<u>Local Plan</u>
Total OPEB liability				
Service cost	\$ 87,138	\$ 60,102	\$ 53,882	\$ 76,104
Interest	23,296	30,017	37,808	33,851
Changes of benefit terms	-	-	(217,060)	-
Differences between expected and actual experience	(194,054)	-	(8,072)	-
Changes in assumptions	(1,395)	101,871	31,280	(33,104)
Benefit payments, including refunds of employee contributions	(19,404)	(25,590)	(37,168)	(36,398)
Net change in total OPEB liability	<u>(104,419)</u>	<u>166,400</u>	<u>(139,330)</u>	<u>40,453</u>
Total OPEB liability - beginning	<u>976,613</u>	<u>810,213</u>	<u>949,543</u>	<u>909,090</u>
Total OPEB liability - ending	<u>\$ 872,194</u>	<u>\$ 976,613</u>	<u>\$ 810,213</u>	<u>\$ 949,543</u>
 Covered payroll	 \$4,789,053	 \$5,273,134	 \$5,273,134	 \$5,489,100
 Total OPEB liability as a percentage of covered-employee payroll	 18.21%	 18.52%	 15.36%	 17.30%

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

Notes to Schedule:

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

2020	2.160%
2020	2.210%
2019	3.500%
2018	3.870%
2017	3.500%

	Plan Year	
	2021	2020
	<u>VRS Health Insurance Credit</u>	<u>VRS Health Insurance Credit</u>
Total HIC OPEB liability		
Service cost	\$ 4,868	\$ 4,796
Interest	6,795	(254)
Changes of benefit terms	-	-
Differences between expected and actual experience	96,256	3,763
Changes in assumptions	-	105,910
Benefit payments	(12,600)	(7,250)
Net change in total HIC OPEB liability	<u>95,319</u>	<u>106,965</u>
Total HIC OPEB liability - beginning	<u>106,965</u>	<u>-</u>
Total HIC OPEB liability - ending	<u>\$ 202,284</u>	<u>\$ 106,965</u>
 Plan fiduciary net position		
Contributions - employer	\$ 13,339	\$ 8,909
Net investment income	27	93
Benefit payments	(12,600)	(7,250)
Administrative expense	(4)	(2)
Other	-	-
Net change in plan fiduciary net position	<u>762</u>	<u>1,750</u>
Plan fiduciary net position liability - beginning	<u>1,750</u>	<u>-</u>
Plan fiduciary net position - ending	<u>\$ 2,512</u>	<u>\$ 1,750</u>
 Town's net HIC OPEB liability - ending	 \$ 199,772	 \$ 105,215
 Plan fiduciary net position as a percentage of the total HIC OPEB liability	 1.24%	 1.64%
 Covered payroll	 \$4,698,636	 \$3,426,411
 Town's net HIC OPEB liability as a percentage of covered payroll	 4.25%	 3.07%

2)The Town began participation in the VRS HIC OPEB program on November 1, 2018 therefore June 30, 2019 actuarial measurement first information available.

TOWN OF ABINGDON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
June 30, 2021

Entity Fiscal Year	Contractually Required Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
VRS HEALTH INSURANCE CREDIT GENERAL EMPLOYEES					
2021	\$ 21,711	\$ 21,711	\$ -	\$ 4,698,636	0.46%
2020	\$ 13,343	\$ 13,343	\$ -	\$ 5,132,041	0.26%

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

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

TOWN OF ABINGDON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
June 30, 2021

*	Employer's	Employer's		Employer's	Plan
Fiscal	Portion	Proportionate		Proportionate Share	Fiduciary
Year	of the	Share of the	Employer's	of the Net OPEB	Net Position
Ended	Net OPEB	Net OPEB	Covered	Liability (Asset)	as a % of the
30-Jun	Liability (Asset)	Liability (Asset)	Payroll	as % of its	Total
				Covered Payroll	OPEB Liability
VRS-Group Life Insurance-General Employees					
2021	0.02494%	\$ 416,208	\$ 5,132,041	8.11%	52.00%
2020	0.02621%	427,000	5,138,216	8.31%	52.00%
2019	0.02707%	411,000	5,147,591	7.98%	51.22%
2018	0.02963%	446,000	5,465,642	8.16%	48.86%
VRS- Line of Duty Act (LODA)					
2021	0.12464%	\$ 522,012	\$ 1,201,461	43.45%	0.79%
2020	0.12464%	471,696	1,220,250	38.66%	0.79%
2019	0.13317%	417,000	1,287,698	32.38%	0.60%
2018	0.13678%	\$ 359,000	\$ 1,335,385	26.88%	1.30%

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

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

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

TOWN OF ABINGDON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
June 30, 2021

Fiscal Year	Contributions Related to			Contributions	
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	as a % of Covered Employee Payroll
VRS-Group Life Insurance-General Employees					
2021	\$ 25,691	\$ 25,691	\$ -	\$ 4,698,636	0.55%
2020	26,687	26,687	-	5,132,041	0.52%
2019	26,719	26,719	-	5,138,216	0.52%
VRS- Line of Duty Act					
2021	\$ 18,650	\$ 18,650	\$ -	\$ 1,242,708	1.50%
2020	16,938	16,938	-	1,201,461	1.41%
2019	17,644	17,644	-	1,220,250	1.45%

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

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

TOWN OF ABINGDON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

Note 1. Changes of Benefit Terms

Pension

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

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates at older ages and extended final retirement age from 70 to 75
- Update withdrawal rates to better fit experience at each age and service through 9 years of service
- Lowered rates of disability retirement
- No changes to salary rates
- Increased Line of Duty Disability rates from 14% to 20%
- Decrease discount rate from 7.00% to 6.75%

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience
- Increased disability rates
- No changes to salary rates
- Increased Line of Duty disability rates from 60% to 70%
- Decreased discount rate from 7.00% to 6.75%

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

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each age and service through 9 years of service
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty disability rate from 14% to 15%
- Decreased discount rate from 7.00% to 6.75%

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

- Update mortality table to RP-2014 projected to 2020
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience at each age and service through 9 years of service
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty rate from 60% to 45%
- Decreased discount rate from 7.00% to 6.75%

(Continued)

TOWN OF ABINGDON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

Note 2. Changes of Assumptions (Continued)

Teacher cost-sharing pool

- Update mortality table to RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each year age and service through 9 years of service
- Update disability rates to better fit experience
- No changes to salary rates
- Decreased discount rate from 7.00% to 6.75%

OTHER SUPPLEMENTARY INFORMATION

**TOWN OF ABINGDON, VIRGINIA
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2021**

	<u>Capital Improvement</u>		<u>Permanent Fund</u>	<u>Total Non-major Governmental Funds</u>
	<u>Capital Reserve Fund</u>	<u>Rehabilitation Fund</u>	<u>Cemetery Fund</u>	
<u>ASSETS</u>				
Cash and cash equivalents - restricted	\$ 44,163	\$ 14,891	\$ 28,201	\$ 87,255
Receivables (net of any allowance for uncollectibles):				
Accrued interest	<u>-</u>	<u>2</u>	<u>1</u>	<u>3</u>
TOTAL ASSETS	<u><u>\$ 44,163</u></u>	<u><u>\$ 14,893</u></u>	<u><u>\$ 28,202</u></u>	<u><u>\$ 87,258</u></u>
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ 14,731	\$ 14,731
Due to other funds	<u>-</u>	<u>718</u>	<u>1,332</u>	<u>2,050</u>
Total Liabilities	<u>-</u>	<u>718</u>	<u>16,063</u>	<u>16,781</u>
FUND BALANCES:				
Restricted				
Capital projects	44,163	14,175	-	58,338
Parks, recreation, and cultural	<u>-</u>	<u>-</u>	<u>12,139</u>	<u>12,139</u>
Total Fund Balances	<u>44,163</u>	<u>14,175</u>	<u>12,139</u>	<u>70,477</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 44,163</u></u>	<u><u>\$ 14,893</u></u>	<u><u>\$ 28,202</u></u>	<u><u>\$ 87,258</u></u>

TOWN OF ABINGDON, VIRGINIA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2021

SCHEDULE 2

	<u>Capital Projects</u>		<u>Permanent Fund</u>	<u>Total Non-major Governmental Funds</u>
	<u>Capital Reserve Fund</u>	<u>Rehabilitation Fund</u>	<u>Cemetery Fund</u>	
REVENUES:				
Revenue from use of money and property	\$ 67	\$ 117	\$ 101	\$ 285
Total Revenues	<u>67</u>	<u>117</u>	<u>101</u>	<u>285</u>
EXPENDITURES:				
Current:				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>67</u>	<u>117</u>	<u>101</u>	<u>285</u>
Net Change in Fund Balance	67	117	101	285
FUND BALANCE AT JULY 1	<u>44,096</u>	<u>14,058</u>	<u>12,038</u>	<u>70,192</u>
FUND BALANCE AT JUNE 30	<u><u>\$ 44,163</u></u>	<u><u>\$ 14,175</u></u>	<u><u>\$ 12,139</u></u>	<u><u>\$ 70,477</u></u>

TOWN OF ABINGDON
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Amounts Passed Through to Sub-recipients	Federal Expenditures
U.S. Department of Housing and Urban Development				
Passed through Virginia Department of Community Development				
Community Development Block Grants	14.228	N/A	N/A	\$ 140,731
Total Department of Housing and Urban Development				140,731
U.S. Department of the Interior				
Passed through Virginia Department of Historic Resources				
Historic Preservation Fund Grants-In-Aid	15.904	N/A	N/A	722
Total U.S. Department of the Interior				722
U.S. Department of Justice				
Equitable Sharing Program	16.922	N/A	N/A	5,803
Total U.S. Department of Justice				5,803
U.S. Department of Transportation				
Passed through Virginia Department of Transportation				
<i>Highway Planning and Construction Cluster</i>				
Highway Planning and Construction	20.205	N/A	N/A	52,351
Highway Planning and Construction	20.205	N/A	N/A	1,552
Total Highway Planning and Construction Cluster				53,903
Passed through Virginia Department of Motor Vehicles				
<i>Highway Safety Cluster</i>				
State and Community Highway Safety	20.600	N/A	N/A	4,371
Total Highway Safety Cluster				4,371
Total U.S. Department of Transportation				58,274
U.S. Department of Treasury				
Passed through Washington County, Virginia				
Coronavirus Relief Fund	21.019	N/A	N/A	1,032,878
Total U.S. Department of Treasury				1,032,878
Total Expenditures of Federal Awards				\$ 1,238,408

Note A: Basis of Presentation and Accounting

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

Note B: Reconciling Item - Prior Year Expenditures:

The above schedule includes eligible federal expenditures of \$133,917 which were incurred and properly reported in the financial statements of the Town during the year ended June 30, 2020.

Note C: Indirect Costs

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

Note D: Outstanding Loan Balances

As of June 30, 2021, the Town had no outstanding loan balances requiring continuing disclosure.

STATISTICAL SECTION

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

CONTENTS	PAGE
FINANCIAL TRENDS	68
These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	
REVENUE CAPACITY	73
These schedules contain trend information to help the reader assess the Town's most significant local revenue source, the property tax.	
DEBT CAPACITY	76
These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	
ECONOMIC AND DEMOGRAPHIC INFORMATION	79
These schedules offer economic and demographic indicators to help the reader understand the environment within which the Town's financial activities take place.	
OPERATING INFORMATION	81
These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	

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

TABLE 1

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Governmental activities										
Net investment in capital assets	\$ 15,560,598	\$ 16,231,378	\$ 14,352,648	\$ 15,813,168	\$ 19,563,963	\$ 19,320,316	\$ 20,451,727	\$ 22,466,371	\$ 23,189,118	\$ 22,949,378
Restricted	-	-	-	-	-	139,425	138,673	641,272	115,315	112,233
Unrestricted	11,658,788	9,715,284	8,527,798	4,218,991	1,888,123	1,968,338	1,481,553	749,399	981,112	3,210,182
Total governmental activities net position	27,219,386	25,946,662	22,880,446	20,032,159	21,452,086	21,428,079	22,071,953	23,857,042	24,285,545	26,271,793
Business-type activities										
Net investment in capital assets	2,016,562	2,250,767	2,268,580	2,517,019	3,130,624	3,296,488	3,498,859	3,920,784	4,466,716	5,417,896
Unrestricted	2,538,264	2,241,843	2,697,500	2,242,548	2,885,392	3,205,423	3,078,233	2,902,656	2,912,773	2,175,998
Total business-type activities	4,554,826	4,492,610	4,966,080	4,759,567	6,016,016	6,501,911	6,577,092	6,823,440	7,379,489	7,593,894
Primary government										
Net investment in capital assets	17,577,160	18,482,145	16,621,228	18,330,187	22,694,587	22,616,804	23,950,586	26,387,155	27,655,834	28,367,274
Restricted	-	-	-	-	-	139,425	138,673	641,272	115,315	112,233
Unrestricted	14,197,052	11,957,127	11,225,298	6,461,539	4,773,515	5,173,761	4,559,786	3,652,055	3,893,885	5,386,180
Total primary government net position	\$ 31,774,212	\$ 30,439,272	\$ 27,846,526	\$ 24,791,726	\$ 27,468,102	\$ 27,929,990	\$ 28,649,045	\$ 30,680,482	\$ 31,665,034	\$ 33,865,687

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

TABLE 2

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Expenses										
Governmental Activities:										
General government	\$ 1,744,308	\$ 1,660,958	\$ 1,581,298	\$ 1,583,573	\$ 2,541,643	\$ 2,437,414	\$ 2,278,330	\$ 2,434,231	\$ 2,265,651	\$ 3,007,482
Public safety	2,731,628	2,736,487	2,759,998	2,728,805	2,667,792	2,920,360	2,809,797	4,123,159	2,910,228	2,395,271
Public works	3,388,845	3,841,342	3,529,042	3,715,968	2,868,606	2,737,484	2,661,221	3,467,788	3,259,368	3,274,223
Health and welfare	3,426	5,833	6,857	264,880	65,636	37,519	38,928	35,947	27,193	1,244
Parks, recreation, and culture	2,364,963	2,379,502	1,159,585	2,219,947	3,182,023	3,058,604	2,896,160	3,426,901	2,860,715	1,834,270
Community development	2,779,418	2,237,820	5,515,308	2,220,759	1,482,812	1,298,975	1,112,417	1,019,371	1,114,551	1,119,696
Interest on long-term debt	90,996	66,425	113,678	116,242	104,489	94,281	98,028	123,726	237,614	463,017
	172,396	238,884	152,443	258,510	135,187	74,874	83,017	73,813	27,790	66,423
Total government activities expense	13,275,980	13,167,251	14,818,209	13,108,684	13,048,188	12,659,511	11,977,898	14,704,936	12,703,110	12,161,626
Business-Type Activities:										
Wastewater	3,065,046	3,088,359	2,731,185	2,663,324	2,523,852	2,661,341	2,796,247	3,091,420	2,745,828	3,048,537
Total business-type activities expenses	3,065,046	3,088,359	2,731,185	2,663,324	2,523,852	2,661,341	2,796,247	3,091,420	2,745,828	3,048,537
Total primary government expenses	\$ 16,341,026	\$ 16,255,610	\$ 17,549,394	\$ 15,772,008	\$ 15,572,040	\$ 15,320,852	\$ 14,774,145	\$ 17,796,356	\$ 15,448,938	\$ 15,210,163
Program Revenues										
Governmental Activities:										
Charges for services										
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,505	\$ 24,848	\$ 9,727	\$ 8,429	\$ 78,678
Public works	342,103	353,943	388,670	369,912	346,394	361,054	408,613	419,277	419,189	432,872
Parks, recreation, and culture	457,742	415,470	417,119	436,640	441,508	442,265	457,433	465,227	326,457	139,422
Community development	29,187	20,200	18,014	14,390	16,163	13,864	12,240	9,537	11,718	10,009
Operating grants and contributions	2,029,874	1,738,259	1,960,808	2,460,379	1,829,418	1,916,785	1,966,946	3,161,727	2,044,384	2,907,667
Capital grants and contributions	255,857	218,252	32,074	696,721	330,061	142,465	1,091,684	2,270,745	689,764	399,048
Total governmental activities program revenues	3,114,763	2,746,124	2,816,685	3,978,042	2,963,544	2,904,938	3,961,764	6,336,240	3,499,941	3,967,696
Business-Type Activities:										
Charges for services										
Wastewater	3,074,637	3,018,276	3,244,042	2,966,165	3,161,540	3,135,579	3,041,260	3,299,129	3,270,050	3,247,886
Capital grants and contributions	-	-	-	-	100,000	-	-	-	-	-
Total business-type activities program revenues	3,074,637	3,018,276	3,244,042	2,966,165	3,261,540	3,135,579	3,041,260	3,299,129	3,270,050	3,247,886
Total primary government program revenues	\$ 6,189,400	\$ 5,764,400	\$ 6,060,727	\$ 6,944,207	\$ 6,225,084	\$ 6,040,517	\$ 7,003,024	\$ 9,635,369	\$ 6,769,991	\$ 7,215,582
Net (Expense)/Revenue										
Governmental Activities	\$ (10,161,217)	\$ (10,421,127)	\$ (12,001,524)	\$ (9,130,642)	\$ (10,084,644)	\$ (9,754,573)	\$ (8,016,134)	\$ (8,368,696)	\$ (9,203,169)	\$ (8,193,930)
Business-Type Activities	9,591	(70,083)	512,857	302,841	737,688	474,238	245,013	207,709	524,222	199,349
Total primary government net (expense)/revenue	\$ (10,151,626)	\$ (10,491,210)	\$ (11,488,667)	\$ (8,827,801)	\$ (9,346,956)	\$ (9,280,335)	\$ (7,771,121)	\$ (8,160,987)	\$ (8,678,947)	\$ (7,994,581)

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General Revenues and other Changes in Net Position										
Governmental Activities:										
Taxes	\$ 8,714,572	\$ 8,232,362	\$ 8,443,512	\$ 8,854,836	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	2,747,145	2,657,010	2,802,195	2,899,882	2,874,852	3,122,505
Local sales & use tax	-	-	-	-	461,012	492,287	494,985	488,092	517,472	574,619
Utility tax	-	-	-	-	81,420	82,728	84,375	84,167	83,572	83,682
Business license tax	-	-	-	-	943,751	877,549	839,908	838,602	872,946	912,463
Franchise license tax	-	-	-	-	66,535	63,036	77,917	60,555	57,917	51,531
Communication tax	-	-	-	-	117,391	114,150	110,756	102,749	100,406	89,183
Motor vehicle license	-	-	-	-	123,503	158,206	145,434	158,944	155,419	149,584
Bank stock tax	-	-	-	-	543,899	565,666	565,205	618,639	583,927	664,201
Cigarette tax	-	-	-	-	107,913	239,579	276,615	256,458	198,608	213,239
Hotel and motel room tax	-	-	-	-	812,441	832,691	856,812	896,562	731,585	706,960
Restaurant food tax	-	-	-	-	2,993,280	2,953,594	3,026,101	3,038,690	2,842,245	3,126,506
Unrestricted intergovernmental revenue	61,433	60,278	46,392	56,435	61,376	65,291	68,533	66,870	69,074	92,992
Unrestricted investment earnings	56,542	47,688	41,808	42,940	33,300	36,580	39,828	76,662	84,064	38,691
Rental of Town property	-	-	-	-	5,821	3,600	3,600	4,825	-	-
Recovered cost	-	-	-	-	-	-	31,894	1,594	-	-
Gain(loss) on sale of capital assets	2,233,711	-	-	-	-	8,452	(2,560)	58,064	(13,535)	-
Other	528,295	479,636	403,595	300,021	2,910,734	577,147	355,854	502,430	473,120	354,022
Total governmental activities	11,594,553	8,819,964	8,935,307	9,254,232	12,009,521	9,727,566	9,777,452	10,153,785	9,631,672	10,180,178
Business-Type Activities:										
Unrestricted investment earnings	7,599	7,868	4,719	3,553	6,031	11,657	19,710	38,639	31,827	12,773
Other	-	-	-	-	-	-	-	-	-	2,283
Total business-type activities	7,599	7,868	4,719	3,553	6,031	11,657	19,710	38,639	31,827	15,056
Total primary government	\$ 11,602,152	\$ 8,827,832	\$ 8,940,026	\$ 9,257,785	\$ 12,015,552	\$ 9,739,223	\$ 9,797,162	\$ 10,192,424	\$ 9,663,499	\$ 10,195,234
Change in Net Position										
Governmental Activities	\$ 1,433,336	\$ (1,601,163)	\$ (3,066,217)	\$ 123,590	\$ 1,924,877	\$ (27,007)	\$ 1,761,318	\$ 1,785,089	\$ 428,503	\$ 1,986,248
Business-Type Activities	17,190	(62,215)	517,576	306,394	743,719	485,895	264,723	246,348	556,049	214,405
Total primary government	\$ 1,450,526	\$ (1,663,378)	\$ (2,548,641)	\$ 429,984	\$ 2,668,596	\$ 458,888	\$ 2,026,041	\$ 2,031,437	\$ 984,552	\$ 2,200,653

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

TABLE 3

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General Fund										
Nonspendable	\$ 1,250	\$ 1,500	\$ 1,500	\$ 101,045	\$ 111,657	\$ 4,006	\$ 5,858	\$ 5,253	\$ 3,213	\$ 99,776
Restricted	-	-	-	-	-	72,214	70,777	572,289	2,226,252	41,728
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	10,600,010	8,830,335	7,174,706	5,769,280	4,957,351	4,926,546	5,093,732	5,095,439	5,381,729	7,509,213
Total general fund	<u>\$ 10,601,260</u>	<u>\$ 8,831,835</u>	<u>\$ 7,176,206</u>	<u>\$ 5,870,325</u>	<u>\$ 5,069,008</u>	<u>\$ 5,002,766</u>	<u>\$ 5,170,367</u>	<u>\$ 5,672,981</u>	<u>\$ 7,611,194</u>	<u>\$ 7,650,717</u>
All Other Governmental Funds										
Restricted	\$ 1,458,028	\$ 1,241,477	\$ 1,279,038	\$ 965,255	\$ 66,831	\$ 67,211	\$ 67,896	\$ 68,983	\$ 70,192	\$ 4,296,044
Unassigned	-	-	(67,292)	(52,902)	(63,539)	(77,942)	(93,914)	-	-	-
Total all other governmental funds	<u>\$ 1,458,028</u>	<u>\$ 1,241,477</u>	<u>\$ 1,211,746</u>	<u>\$ 912,353</u>	<u>\$ 3,292</u>	<u>\$ (10,731)</u>	<u>\$ (26,018)</u>	<u>\$ 68,983</u>	<u>\$ 70,192</u>	<u>\$ 4,296,044</u>

TABLE 4

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Revenues										
General property taxes	\$ 2,517,084	\$ 2,582,994	\$ 2,591,889	\$ 2,584,556	\$ 2,693,882	\$ 2,699,105	\$ 2,790,671	\$ 2,862,820	\$ 2,906,767	\$ 3,020,303
Other local taxes	6,190,262	5,626,683	5,890,975	6,229,713	6,251,145	6,379,486	6,478,108	6,543,458	6,144,097	6,571,968
Permits and licenses	13,684	37,762	21,725	14,238	29,348	18,650	15,322	50,076	40,256	27,278
Fines and forfeitures	49,097	71,766	51,611	42,139	31,051	33,959	28,112	17,946	19,398	12,623
Investment earnings	56,542	47,688	41,808	42,940	39,121	40,180	43,428	81,487	84,064	38,691
Charges for services	829,032	789,613	823,803	820,942	804,065	845,688	903,134	903,768	765,793	660,981
Other revenues	220,084	60,169	150,083	27,584	2,568,021	293,099	268,987	394,038	319,841	223,291
Recovered cost	245,431	309,939	180,175	216,060	158,196	175,088	31,894	1,594	-	-
Intergovernmental	2,347,164	2,016,788	2,039,274	3,213,533	2,220,855	2,124,541	3,127,163	5,499,342	2,803,222	3,399,707
Total revenues	12,468,380	11,543,402	11,791,343	13,191,705	14,795,684	12,609,796	13,686,819	16,354,529	13,083,438	13,954,842
Expenditures										
General government	1,687,563	1,652,003	1,470,759	1,592,285	2,603,469	2,462,276	2,544,461	2,297,229	2,307,179	2,873,360
Public safety	2,483,125	2,497,255	2,610,797	3,253,764	2,562,188	2,830,596	2,856,972	3,726,692	2,717,149	2,923,689
Public works	3,257,329	3,677,910	3,467,668	3,567,118	2,962,420	2,674,970	2,839,549	3,235,037	3,038,454	3,106,221
Health and welfare	3,426	5,833	6,857	6,285	65,636	37,519	38,928	35,947	27,193	1,244
Parks, recreation, and culture	2,305,565	2,298,874	2,427,584	2,291,793	3,288,799	3,018,181	2,745,573	2,612,269	2,681,332	5,383,617
Community development	2,370,336	2,572,550	3,757,827	2,099,266	1,434,039	1,243,488	1,227,791	1,266,510	1,174,349	1,121,258
Contingencies	172,396	238,884	152,442	258,510	143,458	74,874	83,017	73,813	27,790	48,866
Capital projects	298,925	604,659	453,073	1,824,652	2,289,700	123,356	2,793,659	4,431,161	2,160,980	-
Debt service										
Principal	566,761	519,849	1,756,694	568,136	569,563	545,535	462,664	588,699	7,987,790	3,091,535
Interest	-	-	-	-	110,969	97,631	97,020	122,074	100,513	406,771
Total expenditures	13,145,426	14,067,817	16,103,701	15,461,809	16,030,241	13,108,426	15,689,634	18,389,431	22,222,729	18,956,561
Excess of revenues over (under) expenditures	(677,046)	(2,524,415)	(4,312,358)	(2,270,104)	(1,234,557)	(498,630)	(2,002,815)	(2,034,902)	(9,139,291)	(5,001,719)
Other Financing Sources (Uses)										
Proceeds from sale of assets	2,233,711	-	-	-	7,234	7,037	14,240	189,160	41,065	14,318
Proceeds from borrowing	375,000	210,000	2,600,000	691,827	78,300	70,133	29,189	40,374	10,944,023	9,780,839
Premium on debt issues	-	-	-	-	-	-	-	-	-	999,951
Payment of refunded debt	-	-	-	-	-	-	-	-	-	(1,908,692)
Insurance Recoveries	-	-	-	-	116,884	341,195	2,111,700	2,402,983	93,625	58,945
Total other financing sources (uses)	2,608,711	210,000	2,600,000	691,827	202,418	418,365	2,155,129	2,632,517	11,078,713	8,945,361
Net change in fund balance	\$ 1,931,665	\$ (2,314,415)	\$ (1,712,358)	\$ (1,578,277)	\$ (1,032,139)	\$ (80,265)	\$ 152,314	\$ 597,615	\$ 1,939,422	\$ 3,943,642
 Debt service as a percentage of noncapital expenditures	 4.51%	 3.84%	 12.24%	 3.81%	 4.43%	 5.16%	 4.54%	 5.37%	 67.55%	 22.63%

TABLE 5

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

Fiscal Years Ended June 30	Real Estate	Personal Property	Machinery and Tools	Public Utilities		Mobile Homes	Total Assessed Value	Total Direct Tax rate per \$100
				Real Estate	Personal Property			
2021	\$ 849,221,200	\$ 95,012,351	\$ 4,904,180	\$ 30,054,458	\$ 50,593	\$ 1,091,218	\$ 980,334,000	0.308
2020	\$ 775,072,400	\$ 93,360,078	\$ 5,151,285	\$ 27,948,565	\$ 49,628	\$ 950,588	\$ 902,532,544	0.322
2019	\$ 766,949,200	\$ 88,263,597	\$ 3,734,135	\$ 28,395,255	\$ 73,657	\$ 895,799	\$ 888,311,643	0.322
2018	\$ 766,009,000	\$ 84,475,328	\$ 3,532,855	\$ 25,338,387	\$ 87,847	\$ 886,601	\$ 880,330,018	0.317
2017	\$ 770,852,000	\$ 87,360,615	\$ 3,762,980	\$ 23,936,753	\$ 93,948	\$ 827,012	\$ 886,833,308	0.304
2016	\$ 743,344,400	\$ 91,104,836	\$ 3,808,370	\$ 23,829,224	\$ 9,415	\$ 729,889	\$ 862,826,134	0.312
2015	\$ 743,196,200	\$ 93,673,085	\$ -	\$ 23,163,478	\$ 88,963	\$ 824,487	\$ 860,946,213	0.300
2014	\$ 734,838,050	\$ 83,957,974	\$ -	\$ 23,201,748	\$ 15,008	\$ 810,190	\$ 842,822,970	0.308
2013	\$ 727,851,320	\$ 83,025,635	\$ -	\$ 22,196,429	\$ 424,726	\$ 818,381	\$ 834,316,491	0.310
2012	\$ 715,761,300	\$ 82,036,905	\$ -	\$ 22,196,195	\$ 424,726	\$ 1,021,085	\$ 821,440,211	0.306

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

TABLE 6

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

Fiscal Years Ended June 30	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Public Utilities		Overlapping Rates Washington County	
					Real Estate	Personal Property	Real Estate	Personal Property
2021	\$ 0.28	\$ 0.76	\$ 0.76	\$ 0.28	\$ 0.28	\$ 0.76	\$ 0.60	\$ 1.70
2020	\$ 0.28	\$ 0.76	\$ 0.76	\$ 0.28	\$ 0.28	\$ 0.76	\$ 0.63	\$ 1.70
2019	\$ 0.28	\$ 0.76	\$ 0.76	\$ 0.28	\$ 0.28	\$ 0.76	\$ 0.63	\$ 1.70
2018	\$ 0.28	\$ 0.76	\$ 0.76	\$ 0.28	\$ 0.28	\$ 0.76	\$ 0.63	\$ 1.70
2017	\$ 0.28	\$ 0.55	\$ 0.55	\$ 0.28	\$ 0.28	\$ 0.55	\$ 0.63	\$ 1.70
2016	\$ 0.28	\$ 0.55	\$ 0.55	\$ 0.28	\$ 0.28	\$ 0.55	\$ 0.63	\$ 1.70
2015	\$ 0.28	\$ 0.55	\$ 0.55	\$ 0.28	\$ 0.28	\$ 0.55	\$ 0.63	\$ 1.70
2014	\$ 0.28	\$ 0.55	\$ 0.55	\$ 0.28	\$ 0.28	\$ 0.55	\$ 0.63	\$ 1.70
2013	\$ 0.28	\$ 0.55	\$ 0.55	\$ 0.28	\$ 0.28	\$ 0.55	\$ 0.63	\$ 1.70
2012	\$ 0.28	\$ 0.55	\$ 0.55	\$ 0.28	\$ 0.28	\$ 0.55	\$ 0.63	\$ 1.70

1) Rates are presented per \$100 assessed value

TABLE 7

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

June 30, 2021:

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Percent of Real Estate Levy</u>
K-VA-T Food Stores, Inc	Retail	\$ 18,623,100	24.34%
DMD LLC	Rental Real Estate-Apartments	12,079,800	15.79%
Marathon Realty Corp	Retail	11,340,100	14.82%
Town Centre of Abingdon, LLC	Retail	8,069,000	10.55%
Buckhead Abingdon Inc	Hotel	4,847,600	6.34%
Abingdon Professional Centre LLC	Professional Offices	4,753,400	6.21%
Falcon Hospitality, LLC	Hotel	4,437,600	5.80%
New Concepts Hospitality LLC	Hotel	4,268,700	5.58%
Geneva C. Hargroves, SM LLC	Professional Offices	4,230,900	5.53%
Frizzell, Ben M. Jr.	Retail	<u>3,855,700</u>	<u>5.04%</u>
Total Principal Property Taxpayers' Assessed Values		<u>\$ 76,505,900</u>	<u>100.00%</u>

June 30, 2016:

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Percent of Real Estate Levy</u>
K-VA-T Food Stores, Inc	Retail	\$ 18,504,600	27.93%
DMD LLC	Rental Real Estate-Apartments	11,451,000	17.28%
Laramie Abingdon LTD PTNRSHIP	Retail	8,683,000	13.10%
Buckhead Abingdon Inc	Hotel	5,096,100	7.69%
Frizzell, Ben M. Jr.	Retail	4,188,300	6.32%
Hargroves, Andrew J.	Professional Offices	4,048,200	6.11%
Double K. Properties LLC	Retail	3,666,000	5.53%
Abingdon Professional Centre LLC	Professional Offices	3,600,000	5.43%
Light Milling Company	Retail	3,522,500	5.32%
Southern Hospitality	Hotel	<u>3,504,700</u>	<u>5.29%</u>
Total Principal Property Taxpayers' Assessed Values		<u>\$ 66,264,400</u>	<u>100.00%</u>

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

TABLE 8

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

Fiscal Years Ended June 30	Total Tax Levy (1)(2)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections (3)	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Levy
2021	\$ 3,153,320	\$ 2,888,638	91.61%	\$ 72,930	\$ 2,961,568	93.92%	\$ 112,893	3.58%
2020	2,948,905	2,798,447	94.90%	58,306	2,856,753	96.88%	\$ 113,147	3.84%
2019	2,891,272	2,757,847	95.39%	56,625	2,814,472	97.34%	\$ 114,385	3.96%
2018	2,826,689	2,720,874	96.26%	30,979	2,751,853	97.35%	\$ 121,116	4.28%
2017	2,681,396	2,609,612	97.32%	38,733	2,648,345	98.77%	\$ 112,486	4.20%
2016	2,624,784	2,576,140	98.15%	63,074	2,639,214	100.55%	\$ 140,793	5.36%
2015	2,754,504	2,662,560	96.66%	69,757	2,732,317	99.19%	\$ -	2.53%
2014	2,790,613	2,583,283	92.57%	115,400	2,698,683	96.71%	\$ -	4.14%
2013	2,616,745	2,416,378	92.34%	107,190	2,523,568	96.44%	\$ -	4.10%
2012	2,508,632	2,348,521	93.62%	96,210	2,444,731	97.45%	\$ -	3.84%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

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

TABLE 9

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

Fiscal Years Ended June 30	Governmental Activities		Business-Type Activities		Total Primary Government	Per Capita
	Debt Outstanding	Capital Leases	Debt Outstanding	Capital Leases		
2021	\$ 15,672,754	\$ 207,486	\$ 5,028,130	\$ -	\$ 20,908,370	\$ 2,496
2020	\$ 9,823,482	\$ 276,195	\$ 5,904,110	\$ -	\$ 16,003,787	\$ 1,990
2019	\$ 6,801,098	\$ 342,346	\$ 6,684,706	\$ -	\$ 13,828,150	\$ 1,737
2018	\$ 4,957,788	\$ 371,373	\$ 7,419,643	\$ -	\$ 12,748,804	\$ 1,565
2017	\$ 3,240,109	\$ 440,015	\$ 8,276,643	\$ -	\$ 11,956,767	\$ 1,479
2016	\$ 3,286,557	\$ 597,907	\$ 9,066,253	\$ 62,478	\$ 13,013,195	\$ 1,603
2015	\$ 3,479,290	\$ 896,437	\$ 9,935,052	\$ 122,821	\$ 14,433,600	\$ 1,762
2014	\$ 3,744,708	\$ 407,737	\$ 10,784,598	\$ 181,100	\$ 15,118,143	\$ 1,846
2013	\$ 1,299,000	\$ 576,803	\$ 11,258,145	\$ 237,387	\$ 13,371,335	\$ 1,632
2012	\$ 1,649,000	\$ 468,408	\$ 10,506,480	\$ 189,540	\$ 12,813,428	\$ 1,564

Notes:

- (1) Center for Public Service at the University of Virginia and Abingdon town staff estimates.
- (2) Includes all general long-term debt obligations.
- (3) Data only available for last ten years.

TABLE 10

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

Fiscal Years Ended June 30	Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
2021	\$ 15,672,754	1.60%	\$ 1,871
2020	\$ 9,823,482	1.09%	\$ 1,221
2019	\$ 6,801,098	0.77%	\$ 854
2018	\$ 4,957,788	0.56%	\$ 609
2017	\$ 3,240,109	0.37%	\$ 401
2016	\$ 3,286,557	0.38%	\$ 405
2015	\$ 3,479,290	0.40%	\$ 425
2014	\$ 3,744,708	0.44%	\$ 457
2013	\$ 1,299,000	0.16%	\$ 159
2012	\$ 1,649,000	0.20%	\$ 201

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

TABLE 11

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

	Fiscal Years Ended June 30									
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Assessed valuations										
Assessed value of taxed real property	\$ 715,761,300	\$ 727,851,320	\$ 734,838,050	\$ 743,196,200	\$ 743,344,400	\$ 770,852,000	\$ 766,009,000	\$ 766,949,200	\$ 775,072,400	\$ 849,221,200
Legal debt margin										
Debt limit - 10 percent of total assessed value	\$ 71,576,130	\$ 72,785,132	\$ 73,483,805	\$ 74,319,620	\$ 74,334,440	\$ 77,085,200	\$ 76,600,900	\$ 76,694,920	\$ 77,507,240	\$ 84,922,120
Debt applicable to limitation:										
Total bonded debt	12,813,428	13,371,335	15,118,143	14,433,600	13,013,195	11,956,767	12,748,804	13,828,150	16,003,787	20,908,370
Less - wastewater revenue bonds and capital leases	(11,164,428)	(12,072,335)	(11,373,435)	(10,954,310)	(9,726,638)	(8,716,658)	(7,791,016)	(7,027,052)	(6,180,305)	(5,235,616)
Total amount of debt applicable to debt limitation	1,649,000	1,299,000	3,744,708	3,479,290	3,286,557	3,240,109	4,957,788	6,801,098	9,823,482	15,672,754
Legal debt margin	\$ 69,927,130	\$ 71,486,132	\$ 69,739,097	\$ 70,840,330	\$ 71,047,883	\$ 73,845,091	\$ 71,643,112	\$ 69,893,822	\$ 67,683,758	\$ 69,249,366
Total net debt applicable to the limit as a percentage of debt limit	2.30%	1.78%	5.10%	4.68%	4.42%	4.20%	6.47%	8.87%	12.67%	18.46%

TABLE 12

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

Fiscal Years Ended June 30	Water Revenue Bonds						
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2021	\$ 3,247,886	\$ 2,563,314	\$ 684,572	\$ 1,097,411	\$ 13,446	\$ 1,110,857	0.62
2020	\$ 3,270,050	\$ 2,260,262	\$ 1,009,788	\$ 873,906	\$ 15,405	\$ 889,311	1.14
2019	\$ 3,295,533	\$ 2,450,518	\$ 845,015	\$ 892,592	\$ 18,136	\$ 910,728	0.93
2018	\$ 3,041,260	\$ 2,124,622	\$ 916,638	\$ 857,000	\$ 19,059	\$ 876,059	1.05
2017	\$ 3,109,116	\$ 1,969,670	\$ 1,139,446	\$ 873,512	\$ 25,531	\$ 899,043	1.27
2016	\$ 3,064,648	\$ 1,823,155	\$ 1,241,493	\$ 868,799	\$ 30,567	\$ 899,366	1.38
2015	\$ 2,963,387	\$ 1,907,625	\$ 1,055,762	\$ 865,033	\$ 36,998	\$ 902,031	1.17
2014	\$ 3,236,016	\$ 1,947,081	\$ 1,288,935	\$ 1,902,113	\$ 51,438	\$ 1,953,551	0.66
2013	\$ 2,980,124	\$ 2,195,216	\$ 784,908	\$ 745,627	\$ 61,068	\$ 806,695	0.97
2012	\$ 2,922,659	\$ 2,004,607	\$ 918,052	\$ 817,010	\$ 62,688	\$ 879,698	1.04

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

TABLE 13

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

Fiscal Years Ended June 30	Population(1)	Personal Income (1)	Per Capita Median Income (1)	Median Age (2)	School Enrollment	Unemployment Rate
2021	8,376	\$ 3,039,568	\$ 38,742	45.2	1,956	4.60%
2020	8,044	\$ 2,899,980	\$ 38,529	45.7	1,961	5.30%
2019	7,963	N/A	\$ 38,338	45.9	1,994	3.40%
2018	8,146	N/A	\$ 39,405	45.0	2,039	4.60%
2017	8,083	N/A	\$ 39,405	42.6	2,050	4.60%
2016	8,119	N/A	\$ 48,529	42.5	N/A	4.60%
2015	8,191	N/A	\$ 48,214	39.0	2,690	5.80%
2014	8,191	\$ 2,916,473	\$ 43,353	35.0	2,719	6.50%
2013	8,191	\$ 2,826,503	\$ 42,242	36.0	2,688	7.30%
2012	8,191	\$ 2,847,640	\$ 43,155	39.4	2,699	7.50%

1) Source: census data, Sperling's Best Places, Bureau of Economic Analysis (BEARFACTS)

2) Data only available for last ten years

TABLE 14

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

June 30, 2021		Total Estimated Employment (1)
<u>Employer</u>	<u>Product or Service</u>	
Washington County Schools	Public Agency	1000+
K-VAT/Food City	Grocery Distribution	700-900
Ballad Health	Health Care	500-750*
Utility Trailer Manufacturing	Trailer Manufacturing	200-500*
Wal-Mart	Retail	150-249*
Paramont Manufacturing	Truck Manufacturing	150-250*
Washington County Government	Public Agency	150-249
Emory & Henry College	Higher Education	100-200*

*Located in Washington County

June 30, 2016		Total Estimated Employment (1)
<u>Employer</u>	<u>Product or Service</u>	
Washington County Schools	Public Agency	1000+
Johnston Memorial Hospital	Health Care	500-749
K-VAT/Food City	Grocery Distribution	250-499
Washington County Government	Public Agency	150-249

(1) Source: Virginia Employment Commission

TABLE 15

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

Function	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General government					
Management services	2	2	2	2	2
Legal	3	-	-	-	-
Human resources	1	1	1	1	1
Finance	8	8	8	8	8
Business incubator	-	-	-	-	-
Information technology	3	3	4	3	3.5
Building	4	4	4	3	2
Planning and Zoning	4	3	3	3	3
Public safety					
Police	26.5	26.5	26.5	31.0	31.0
Fire	20	19	17	1	8.5
Public works					
Administration	5	4.5	4	7	5
Refuse collection	3	3	3	3	3
Streets	19	18	18	18	19
Other	8	7	7	5	4
Parks, recreation, and cultural					
Parks	13	13	10	10	15
Recreation	59	51.5	52	14	17.5
Tourism	15	11	11	2	4.5
Other	3	3	3.5	2	1
Wastewater operations					
Collection	11	10	10	13	10
Disposal	12	12	12	10	10
Other	1	1	1	1	1

1) Source: Town's finance department

TABLE 16

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

Function	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Public safety										
Incident reports	4,602	4,237	4,003	4,229	4,129	4,207	2,932	3,039	3,672	3,683
Number of traffic crashes	372	273	323	334	382	331	222	184	256	255
Number of arrests	521	414	353	364	316	368	324	313	312	241
Citations written	1,326	694	1,188	1,161	891	1,022	772	654	666	702
Fire and rescue										
Number of calls answered	432	478	484	522	411	533	554	624	598	615
Building inspections										
Permits issued	252	308	270	263	187	178	135	257	336	301
Parks and Recreation										
Youth Program Participants	3,538	3,684	3,737	4,512	4,920	5,403	10,389	16,024	15,739	688
Wastewater operations										
Number of service connections	-	-	-	4,940	4,977	5,039	4,747	5,068	5,830	5,711
Average daily treatment in gallons	2,070,000	2,530,000	2,150,000	2,320,000	1,970,000	2,157,742	2,159,000	2,690,000	2,840,000	2,850,000
Maximum daily capacity of plant in gallons	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000

1) Source: Town's finance department

2) Youth Program Participants decreased in fiscal year 2021 due to COVID-19.

TABLE 17

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

Function	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Public safety										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	18	18	18	18	18	18	18	18	18	13
Number of sworn officers	25	26	26	25	25	24	23	24	25	26
Number of non-sworn	2	2	3	3	3	3	3	3	3	3
Public works										
Streets (miles)	75	75	75	75	75	75	75	75.17	75.17	75.17
Streets (miles on VDOT maint inventory)	54.79	54.79	54.79	54.79	54.32	54.32	54.32	54.38	54.38	54.38
Streetlights	1,213	1,213	1,213	1,213	1,218	1,218	1,218	1,241	1,241	1,241
Traffic signals	18	18	18	18	18	17	17	18	18	18
Wastewater operations										
Miles of sanitary sewers	111	111	111	111	111	111	111	111	111	111
Miles of storm sewers	22.3	22.3	22.3	22.3	22.3	22.3	22.3	22.3	22.3	22.3
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of pumping stations	6	6	6	6	6	6	6	6	6	6

COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; 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 for Counties, Cities, and Towns* issued by the Auditor of the Public Accounts for the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Abingdon, Virginia (the "Town"), as of and for the year ended June 30, 2021, 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 30, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, as item 2021-001 that we consider to be a significant deficiency.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items 2021-002, 2021-003, 2021-004 and 2021-005.**

Response to Findings

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
December 30, 2021



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

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Abingdon, Virginia's (the "Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2021. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Compliance for Each Major Federal Program (Continued)

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-005. Our opinion on the major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.** The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
December 30, 2021

TOWN OF ABINGDON, VIRGINIA

SUMMARY OF FINDINGS AND QUESTIONED COSTS June 30, 2021

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

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

State Agency Requirements

Urban Highway Maintenance

Fire Programs – Aid to Localities

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

TOWN OF ABINGDON, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

A. SUMMARY OF AUDITOR'S RESULTS

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

Name of Program	AL #
Coronavirus Relief Funds	21.019

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2021-001: Unrecorded Retainage Payable (Significant Deficiency)

Condition: The Town had a significant construction project in progress at year-end, and the retainage payable associated with this project was not recorded as a payable and expenditure on the fund statements at year-end.

Recommendation: The Town should take steps to ensure that all retainage payable due to contractors is recorded in the proper year in which it was earned in order to present an accurate amount of payables and expenditures for the year.

Management's Response: Management concurs with this recommendation.

TOWN OF ABINGDON, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

C. FINDINGS – COMMONWEALTH OF VIRGINIA

2021-002: Unclaimed Property

Condition: The Town's unclaimed property report was not filed by the required deadline.

Recommendation: The Town should take steps to ensure that the unclaimed property report is filed by November 1st each year.

Management's Response: Management concurs with this recommendation.

2021-003: Budget Appropriations

Condition: The Town exceeded its final budget in some categories. This is a violation of Sections 15.2-2506 and 58.1-3001 of the *Code of Virginia*, which prohibit the spending of amounts in excess of appropriations.

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

Management's Response: Management concurs with this recommendation.

2021-004: Highway Maintenance Disbursements and Weldon Cooper Survey

Condition: When the Town enters highway maintenance disbursements into the system, each street that is worked on is not listed separately when there are multiple streets worked on for a particular work order or day. Some ineligible/partially eligible streets were not identified separately and were lumped in with eligible streets.

Recommendation: Ensure that included streets are eligible streets included on the Department of Transportation's annual listing of eligible streets.

Management's Response: Management concurs with this recommendation.

TOWN OF ABINGDON, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021**

D. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM

2021-005: Uniform Guidance Procurement Documentation

Condition: The Town does not have written procurement policies that fully align with requirements in the Uniform Guidance.

Criteria: During fiscal year 2019, the sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) covering procurement became effective after a three-year grace period on the implementation date. The Uniform Guidance requires entities to have written policies and procedures in place covering many types of procurement situations, including conflicts of interest, avoidance of geographical preferences, bidding thresholds, value engineering, and others.

Cause: The Town hasn't typically been subject to the Uniform Guidance requirements during most recent fiscal years and was unaware of the necessary changes.

Effect: Procurement procedures may not be conducted in accordance with Uniform Guidance requirements.

Context: Several Uniform Guidance procurement requirements were not noted in the Town's procurement policy.

Questioned Costs: N/A

Recommendation: The Town should prepare a revised policy for procurement procedures to more closely align with Uniform Guidance requirements.

Repeat Finding: N/A

Management's Response: Management concurs with this recommendation.

TOWN OF ABINGDON, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2021

A. FINDINGS – COMMONWEALTH OF VIRGINIA

2020-001: Budget Appropriations

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

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

Management's Response: Management concurs with this recommendation.

Current Status: This was noted during the current year audit and is reported as item 2021-003.

2020-002: Highway Maintenance Disbursements and Weldon Cooper Survey

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

Recommendation: Ensure that included streets are eligible streets included on the Department of Transportation's annual listing of eligible streets.

Management's Response: Management concurs with this recommendation.

Current Status: This was noted during the current year audit and is reported as item 2021-004.