



TOWN OF GORDONSVILLE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

TOWN OF GORDONSVILLE, VIRGINIA

Annual Financial Report
For the Year Ended June 30, 2019

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TOWN OF GORDONSVILLE, VIRGINIA

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For the Year Ended June 30, 2019

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TOWN OF GORDONSVILLE, VIRGINIA

Town Council

Robert K. Coiner, Mayor

Emily Winkey, Vice Mayor

Ronald E. Brooks, III

James L. Bradley

Elizabeth Samra

Officials

Deborah S. Kendall, Town Manager

Angela Scolforo, Town Attorney

Dawn Rigsby, Town Treasurer



Independent Auditors' Report

**TO THE HONORABLE MAYOR AND MEMBERS OF THE
TOWN COUNCIL
TOWN OF GORDONSVILLE, VIRGINIA**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Town of Gordonsville, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Town of Gordonsville, Virginia'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 the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Town of Gordonsville, Virginia, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 18 to the financial statements, in 2019, the Town adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 19 to the financial statements, in 2019, the Town restated beginning balances to reflect unbilled water and sewer receivables. 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 the budgetary comparison information and schedules related to pension and OPEB funding on pages 59-60 and 61-66 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 schedules related 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Gordonsville, Virginia's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2019, on our consideration of Town of Gordonsville, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Town of Gordonsville, Virginia'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 Town of Gordonsville, Virginia's internal control over financial reporting and compliance.

Robinson Finner Cox Associates

Charlottesville, Virginia
December 30, 2019

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Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 723,828	\$ 1,911,759	\$ 2,635,587
Receivables, net of allowance for uncollectibles:			
Taxes receivable	87,205	-	87,205
Accounts receivable	40,593	189,473	230,066
Due from other governmental units	63,677	24,655	88,332
Prepaid items	7,032	604	7,636
Restricted assets:			
Cash held for customer deposits	2,382	36,417	38,799
Capital assets, net of accumulated depreciation:			
Land	525,061	206,526	731,587
Construction in progress	275,977	384,744	660,721
Land improvements	18,757	-	18,757
Buildings and improvements	633,912	392,866	1,026,778
Infrastructure	2,900,130	1,348,868	4,248,998
Machinery, equipment and vehicles	126,124	62,876	189,000
Total assets	<u>\$ 5,404,678</u>	<u>\$ 4,558,788</u>	<u>\$ 9,963,466</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 73,462	\$ 26,856	\$ 100,318
OPEB related items	5,029	1,645	6,674
Total deferred outflows of resources	<u>\$ 78,491</u>	<u>\$ 28,501</u>	<u>\$ 106,992</u>
LIABILITIES			
Accounts payable	\$ 26,510	\$ 24,024	\$ 50,534
Contracts payable	29,654	30,818	60,472
Accrued liabilities	29,465	42,686	72,151
Customers' deposits payable from restricted assets	2,382	36,417	38,799
Accrued interest payable	21,602	5,987	27,589
Unearned revenue	236,503	-	236,503
Long-term liabilities:			
Due within one year	141,255	57,673	198,928
Due in more than one year	1,581,216	430,288	2,011,504
Total liabilities	<u>\$ 2,068,587</u>	<u>\$ 627,893</u>	<u>\$ 2,696,480</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 75,574	\$ -	\$ 75,574
Pension related items	28,396	7,599	35,995
OPEB related items	6,390	2,610	9,000
Total deferred inflows of resources	<u>\$ 110,360</u>	<u>\$ 10,209</u>	<u>\$ 120,569</u>
NET POSITION			
Net investment in capital assets	\$ 2,968,158	\$ 1,925,416	\$ 4,893,574
Restricted:			
Pool improvements and activities	49,284	-	49,284
Unrestricted	286,780	2,023,771	2,310,551
Total net position	<u>\$ 3,304,222</u>	<u>\$ 3,949,187</u>	<u>\$ 7,253,409</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF GORDONSVILLE, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 506,794	\$ 610	\$ -	\$ 24,706
Public safety	577,222	121,239	52,179	-
Public works	551,730	-	3,970	-
Health and welfare	4,521	-	-	-
Parks, recreation, and cultural	123,497	15,838	12,528	23,723
Community development	1,300	-	-	-
Interest on long-term debt	51,490	-	-	-
Total governmental activities	<u>\$ 1,816,554</u>	<u>\$ 137,687</u>	<u>\$ 68,677</u>	<u>\$ 48,429</u>
Business-type activities:				
Water and Sewer Fund	\$ 1,239,537	\$ 1,305,683	\$ -	\$ -
Airport Fund	36,860	38,125	3,078	50,059
Total business-type activities	<u>\$ 1,276,397</u>	<u>\$ 1,343,808</u>	<u>\$ 3,078</u>	<u>\$ 50,059</u>
Total primary government	<u>\$ 3,092,951</u>	<u>\$ 1,481,495</u>	<u>\$ 71,755</u>	<u>\$ 98,488</u>

General revenues:

- General property taxes
- Local sales and use taxes
- Consumers' utility taxes
- Business license taxes
- Restaurant food taxes
- Other local taxes
- Unrestricted revenues from use of money and property
- Miscellaneous
- Grants and contributions not restricted to specific programs

Total general revenues

Change in net position

Net position - beginning, as restated

Net position - ending

The notes to the financial statements are an integral part of this statement.

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (481,478)		\$ (481,478)
(403,804)		(403,804)
(547,760)		(547,760)
(4,521)		(4,521)
(71,408)		(71,408)
(1,300)		(1,300)
(51,490)		(51,490)
<u>\$ (1,561,761)</u>		<u>\$ (1,561,761)</u>
	\$ 66,146	\$ 66,146
	54,402	54,402
	<u>\$ 120,548</u>	<u>\$ 120,548</u>
<u>\$ (1,561,761)</u>	<u>\$ 120,548</u>	<u>\$ (1,441,213)</u>
\$ 284,651	\$ -	\$ 284,651
87,948	-	87,948
31,792	-	31,792
103,813	-	103,813
389,965	-	389,965
95,006	-	95,006
474,081	75,375	549,456
1,818	-	1,818
60,550	-	60,550
<u>\$ 1,529,624</u>	<u>\$ 75,375</u>	<u>\$ 1,604,999</u>
<u>\$ (32,137)</u>	<u>\$ 195,923</u>	<u>\$ 163,786</u>
<u>3,336,359</u>	<u>3,753,264</u>	<u>7,089,623</u>
<u>\$ 3,304,222</u>	<u>\$ 3,949,187</u>	<u>\$ 7,253,409</u>

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Fund Financial Statements

Balance Sheet
 Governmental Funds
 June 30, 2019

	<u>General Fund</u>	<u>Pool Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 722,655	\$ 1,173	\$ 723,828
Receivables, net of allowance for uncollectibles:			
Taxes receivable	87,205	-	87,205
Accounts receivable	40,593	-	40,593
Due from other governmental units	63,677	-	63,677
Prepaid items	7,032	-	7,032
Restricted assets:			
Cash held for customer deposits	2,382	-	2,382
Total assets	<u>\$ 923,544</u>	<u>\$ 1,173</u>	<u>\$ 924,717</u>
LIABILITIES			
Accounts payable	\$ 22,534	\$ 3,976	\$ 26,510
Contracts payable	29,654	-	29,654
Accrued liabilities	21,929	7,536	29,465
Customers' deposits	2,382	-	2,382
Unearned revenue	236,503	-	236,503
Total liabilities	<u>\$ 313,002</u>	<u>\$ 11,512</u>	<u>\$ 324,514</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 89,978	\$ -	\$ 89,978
FUND BALANCES			
Nonspendable:			
Prepays	\$ 7,032	\$ -	\$ 7,032
Restricted:			
Pool capital donations	-	49,284	49,284
Committed:			
East Street project	16,302	-	16,302
Public works facility	15,430	-	15,430
Unassigned	481,800	(59,623)	422,177
Total fund balances (deficit)	<u>\$ 520,564</u>	<u>\$ (10,339)</u>	<u>\$ 510,225</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 923,544</u>	<u>\$ 1,173</u>	<u>\$ 924,717</u>

The notes to the financial statements are an integral part of this statement.

Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2019

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	510,225	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The amounts reported below are net of accumulated depreciation.			
Land	\$	525,061	
Construction in Progress		275,977	
Land improvements		18,757	
Buildings and improvements		633,912	
Infrastructure		2,900,130	
Machinery, equipment and vehicles		<u>126,124</u>	4,479,961
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported as unavailable revenue in the funds.			
Unavailable revenue related to property taxes			14,404
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	73,462	
OPEB related items		<u>5,029</u>	78,491
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Bonds	\$	(1,475,863)	
Settlement agreement		(66,500)	
Capital leases		(35,940)	
Compensated absences		(51,316)	
Net pension liability		(54,512)	
Net OPEB liability		(38,340)	
Accrued interest payable		<u>(21,602)</u>	(1,744,073)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(28,396)	
OPEB related items		<u>(6,390)</u>	(34,786)
Net position of governmental activities			<u>\$ 3,304,222</u>

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2019

	General Fund	Pool Fund	Total
REVENUES			
General property taxes	\$ 289,362	\$ -	\$ 289,362
Other local taxes	708,524	-	708,524
Permits, privilege fees, and regulatory licenses	610	-	610
Fines and forfeitures	121,239	-	121,239
Revenue from the use of money and property	474,081	-	474,081
Charges for services	-	15,838	15,838
Miscellaneous	13,606	2,727	16,333
Intergovernmental:			
Commonwealth	114,712	-	114,712
Federal	23,723	-	23,723
Total revenues	<u>\$ 1,745,857</u>	<u>\$ 18,565</u>	<u>\$ 1,764,422</u>
EXPENDITURES			
Current:			
General government administration	\$ 405,054	\$ -	\$ 405,054
Public safety	609,607	-	609,607
Public works	511,915	-	511,915
Health and welfare	4,521	-	4,521
Parks, recreation, and cultural	48,597	41,389	89,986
Community development	1,300	-	1,300
Capital projects	247,783	-	247,783
Debt service:			
Principal retirement	145,849	-	145,849
Interest and other fiscal charges	55,398	-	55,398
Total expenditures	<u>\$ 2,030,024</u>	<u>\$ 41,389</u>	<u>\$ 2,071,413</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (284,167)</u>	<u>\$ (22,824)</u>	<u>\$ (306,991)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 4,979	\$ 4,979
Transfers out	(4,979)	-	(4,979)
Issuance of capital lease	42,000	-	42,000
Total other financing sources (uses)	<u>\$ 37,021</u>	<u>\$ 4,979</u>	<u>\$ 42,000</u>
Net change in fund balances	\$ (247,146)	\$ (17,845)	\$ (264,991)
Fund balances - beginning	767,710	7,506	775,216
Fund balances (deficit) - ending	<u>\$ 520,564</u>	<u>\$ (10,339)</u>	<u>\$ 510,225</u>

The notes to the financial statements are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds \$ (264,991)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation or vice versa in the current period.

Capital asset additions	\$ 268,517	
Depreciation	(151,263)	117,254
	<u> </u>	

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in unavailable property taxes is reported as revenues in the governmental funds. (4,711)

The issuance of long-term debt (e.g. 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of debt	\$ (42,000)	
Settlement agreement annual payment	9,500	
Payment of principal	136,349	
Amortization of premium on issuance	5,233	109,082
	<u> </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.

Compensated absences	\$ (8,789)	
Pension expense	17,974	
OPEB expense	3,371	
Accrued interest payable	(1,327)	11,229
	<u> </u>	<u> </u>

Change in net position of governmental activities \$ (32,137)

The notes to the financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Funds
June 30, 2019

	Enterprise Funds		
	Water and Sewer Fund	Airport Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,841,402	\$ 70,357	\$ 1,911,759
Accounts receivable, net of allowance for uncollectibles	189,473	-	189,473
Due from other governmental units	-	24,655	24,655
Prepaid expenses	604	-	604
Total current assets	<u>\$ 2,031,479</u>	<u>\$ 95,012</u>	<u>\$ 2,126,491</u>
Noncurrent assets:			
Restricted assets:			
Cash held for customer deposits	\$ 36,417	\$ -	\$ 36,417
Total restricted assets	<u>\$ 36,417</u>	<u>\$ -</u>	<u>\$ 36,417</u>
Capital assets:			
Land	\$ 204,978	\$ 1,548	\$ 206,526
Construction in progress	324,079	60,665	384,744
Buildings and improvements, net of accumulated depreciation	392,866	-	392,866
Infrastructure, net of accumulated depreciation	1,234,670	114,198	1,348,868
Machinery, equipment, and vehicles net of accumulated depreciation	62,876	-	62,876
Total capital assets	<u>\$ 2,219,469</u>	<u>\$ 176,411</u>	<u>\$ 2,395,880</u>
Total noncurrent assets	<u>\$ 2,255,886</u>	<u>\$ 176,411</u>	<u>\$ 2,432,297</u>
Total assets	<u>\$ 4,287,365</u>	<u>\$ 271,423</u>	<u>\$ 4,558,788</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 26,856	\$ -	\$ 26,856
OPEB related items	1,645	-	1,645
Total deferred outflows of resources	<u>\$ 28,501</u>	<u>\$ -</u>	<u>\$ 28,501</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 24,004	\$ 20	\$ 24,024
Contracts payable	-	30,818	30,818
Accrued liabilities	42,686	-	42,686
Customers' deposits payable from restricted assets	36,417	-	36,417
Accrued interest payable	5,987	-	5,987
Compensated absences - current portion	592	-	592
Bonds and notes payable - current portion	57,081	-	57,081
Total current liabilities	<u>\$ 166,767</u>	<u>\$ 30,838</u>	<u>\$ 197,605</u>
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 5,330	\$ -	\$ 5,330
Bonds and notes payable - net of current portion	382,565	-	382,565
Net pension liability	26,733	-	26,733
Net OPEB liability	15,660	-	15,660
Total noncurrent liabilities	<u>\$ 430,288</u>	<u>\$ -</u>	<u>\$ 430,288</u>
Total liabilities	<u>\$ 597,055</u>	<u>\$ 30,838</u>	<u>\$ 627,893</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 7,599	\$ -	\$ 7,599
OPEB related items	2,610	-	2,610
Total deferred inflows of resources	<u>\$ 10,209</u>	<u>\$ -</u>	<u>\$ 10,209</u>
NET POSITION			
Net investment in capital assets	\$ 1,779,823	\$ 145,593	\$ 1,925,416
Unrestricted	1,928,779	94,992	2,023,771
Total net position	<u>\$ 3,708,602</u>	<u>\$ 240,585</u>	<u>\$ 3,949,187</u>

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2019

	Enterprise Funds		
	Water and Sewer Fund	Airport Fund	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 889,547	\$ -	\$ 889,547
Sewer revenues	394,206	-	394,206
Delinquent fees	13,647	-	13,647
Cut on fees	2,430	-	2,430
Hangar rentals	-	38,125	38,125
Miscellaneous	5,853	-	5,853
Total operating revenues	<u>\$ 1,305,683</u>	<u>\$ 38,125</u>	<u>\$ 1,343,808</u>
OPERATING EXPENSES			
Water and water tests	\$ 437,740	\$ -	\$ 437,740
Sewer	264,855	-	264,855
Salaries, wages, and benefits	237,455	-	237,455
Repairs and maintenance	61,120	24,573	85,693
Materials and supplies	16,684	338	17,022
Professional services	25,726	4,340	30,066
Telephone and utilities	7,277	2,293	9,570
Vehicle expenses	19,588	-	19,588
Other operating expenses	24,427	1,067	25,494
Depreciation	131,116	4,249	135,365
Total operating expenses	<u>\$ 1,225,988</u>	<u>\$ 36,860</u>	<u>\$ 1,262,848</u>
Operating income (loss)	<u>\$ 79,695</u>	<u>\$ 1,265</u>	<u>\$ 80,960</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	\$ -	\$ 3,078	\$ 3,078
Use of property	75,375	-	75,375
Interest expense	(13,549)	-	(13,549)
Total nonoperating revenues (expenses)	<u>\$ 61,826</u>	<u>\$ 3,078</u>	<u>\$ 64,904</u>
Income before capital contributions	\$ 141,521	\$ 4,343	\$ 145,864
Capital contributions	-	50,059	50,059
Change in net position	<u>\$ 141,521</u>	<u>\$ 54,402</u>	<u>\$ 195,923</u>
Total net position - beginning, as restated	3,567,081	186,183	3,753,264
Total net position - ending	<u><u>\$ 3,708,602</u></u>	<u><u>\$ 240,585</u></u>	<u><u>\$ 3,949,187</u></u>

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Enterprise Funds		
	Water and Sewer Fund	Airport Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,333,381	\$ 38,125	\$ 1,371,506
Payments to suppliers	(861,727)	(33,430)	(895,157)
Payments to employees	(200,741)	-	(200,741)
Net cash provided by (used for) operating activities	\$ 270,913	\$ 4,695	\$ 275,608
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Use of property	\$ 75,375	\$ -	\$ 75,375
Intergovernmental revenue	-	4,066	4,066
Net cash provided by (used for) noncapital financing activities	\$ 75,375	\$ 4,066	\$ 79,441
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to CIP and machinery and equipment	\$ (192,838)	\$ (21,396)	\$ (214,234)
Principal payments on bonds	(51,234)	-	(51,234)
Contributions in aid of construction	-	34,094	34,094
Interest payments	(17,999)	-	(17,999)
Net cash provided by (used for) capital and related financing activities	\$ (262,071)	\$ 12,698	\$ (249,373)
Net increase (decrease) in cash and cash equivalents	\$ 84,217	\$ 21,459	\$ 105,676
Cash and cash equivalents - beginning (including restricted)	1,793,602	48,898	1,842,500
Cash and cash equivalents - ending (including restricted)	\$ 1,877,819	\$ 70,357	\$ 1,948,176
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 79,695	\$ 1,265	\$ 80,960
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	\$ 131,116	\$ 4,249	\$ 135,365
(Increase) decrease in:			
Accounts receivable	27,873	-	27,873
Prepaid expenses	192	-	192
Pension related deferred outflows	(9,957)	-	(9,957)
OPEB related deferred outflows	(951)	-	(951)
Increase (decrease) in:			
Customer deposits	(175)	-	(175)
Accounts payable	(4,502)	(819)	(5,321)
Accrued liabilities	36,733	-	36,733
Compensated absences	560	-	560
Net pension liability	13,871	-	13,871
Net OPEB liability	119	-	119
Pension related deferred inflows	(3,081)	-	(3,081)
OPEB related deferred inflows	(580)	-	(580)
Total adjustments	\$ 191,218	\$ 3,430	\$ 194,648
Net cash provided by (used for) operating activities	\$ 270,913	\$ 4,695	\$ 275,608

The notes to the financial statements are an integral part of this statement.

Statement of Fiduciary Net Position
 Fiduciary Fund
 June 30, 2019

	<u>Private-Purpose Trust Fund Maplewood Cemetery</u>
ASSETS	
Cash and cash equivalents	\$ 416,599
Investments, at fair value:	
Corporate stock	41,400
Total assets	<u>\$ 457,999</u>
LIABILITIES	
Accounts payable	\$ 384
Total liabilities	<u>\$ 384</u>
NET POSITION	
Held in trust for Maplewood Cemetery	<u>\$ 457,615</u>

The notes to the financial statements are an integral part of this statement.

Statement of Change in Fiduciary Net Position
 Fiduciary Fund
 For the Year Ended June 30, 2019

	<u>Private-Purpose Trust Fund Maplewood Cemetery</u>
ADDITIONS	
Contributions:	
Sale of cemetery lots	\$ 15,500
Burial permits	3,700
Fees	575
Donations	3,480
Total contributions	<u>\$ 23,255</u>
Investment earnings:	
Interest	\$ 4,686
Gain (loss) on investments	3,455
Total investment earnings	<u>\$ 8,141</u>
Total additions	<u>\$ 31,396</u>
DEDUCTIONS	
Professional and contractual services	\$ 22,676
Other	3,267
Confederate	2,522
Total deductions	<u>\$ 28,465</u>
Change in net position	\$ 2,931
Net position - beginning	454,684
Net position - ending	<u>\$ 457,615</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile

The Town of Gordonsville, located in Orange County, Virginia, was founded in 1813 and incorporated in 1873. The Town has a population of 1,498 and a land area of .9 square miles.

The Town is governed under the Council-Manager form of government. The Town government, with approximately 15 full-time employees, engages in a wide range of municipal services including: police protection, refuse collection, recycling, street and sidewalk maintenance, streetlights, zoning enforcement, planning and community development, and Town beautification. Judicial administration, educational, fire, library, health and welfare services, and recreational facilities and programs are provided by Orange County.

The financial statements of the Town of Gordonsville, Virginia have been prepared in conformity with accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board and the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

Accounting principles generally accepted in the United States require financial statements to present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The Town has no component units that meet the requirements for blending. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. The Town does not have any discretely presented component units.

The Treasurer is the fiscal agent of Maplewood Cemetery. The financial activities of the Maplewood Cemetery are excluded from the Town's government-wide statements for the following reasons:

1. The Cemetery is a separate legal entity;
2. The Town is not financially accountable for the Cemetery;
3. The Town does not exercise oversight responsibility or authority over the Cemetery trustees, and;
4. The Cemetery trustees are separately appointed by the Circuit Court of the County of Orange.

B. Government-wide and Fund Financial Statements

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. 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.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities). Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense, the cost of “using up” capital assets, in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

Property taxes, sales taxes, franchise taxes, licenses, 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

The following is a brief description of the specific funds used by the Town in FY 2019.

1. *Governmental Funds:*

Governmental Funds are those through which most governmental functions typically are financed.

- a. *General Fund* - The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services, and interest income. The General Fund is considered a major fund for reporting purposes.
- b. *Special Revenue Fund* - Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The only special revenue fund is the Pool Fund, which is considered a major fund.

2. *Proprietary Funds:*

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of two enterprise funds.

Enterprise Funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. The enterprise funds consist of the Water and Sewer Fund and the Airport Fund, both of which are considered major funds.

3. *Fiduciary Funds (Trust and Agency Funds):*

Fiduciary Funds (Trust and Agency Funds) account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Private-Purpose Trust Funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Private-Purpose Trust Fund (Maplewood Cemetery) uses the accrual basis of accounting for reporting its assets and liabilities.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

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 where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 consist of charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgets and Budgetary Accounting

The Town Council annually adopts budgets for the various funds.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before April 1 of each year, the Town Manager submits to 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 notice regarding the proposed budget is circulated in accordance with Virginia statute, and at least one public hearing is conducted at Town Hall to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an appropriation resolution. Town Council may approve supplemental appropriations.
4. The legal level of control is at the departmental level within an individual fund. The Town Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions between departments, from the contingency line item, or that alter the total expenditures of any fund must be approved by Town Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Pool Fund, Water and Sewer Fund, and Airport Fund.
6. The budgets for these funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. A review of the presented budget comparisons herein will disclose how accurately Town Council was actually able to forecast the revenues and expenditures of the Town.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Budgets and Budgetary Accounting: (Continued)

- 8. Appropriations lapse on June 30, unless carried forward by a resolution of Town Council.
- 9. Budgetary amounts as presented in the financial statements reflect budget revisions through June 30, 2019.

E. Expenditures and Appropriations

Expenditures exceeded appropriations in the general fund at June 30, 2019, including the following departments of the General Fund:

<u>Department</u>	<u>Overspent</u>
Administration	\$ 4,598
Treasurer	4,889
Police Department	19,607
Public works	59,227
Tax Relief for the Elderly	321
Funds Donated	368
Debt Service	51,842

F. Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term highly liquid investments that are both (1) readily convertible to known amounts of cash, and (2) so near the maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

G. Investments

The Town's investments at June 30, 2019 consisted of amounts invested in the Local Government Investment Pool and the balance of a construction escrow account, which are reported at amortized cost. The fiduciary fund has investments in corporate stock, which is reported at fair value and investments in the Local Government Investment Pool, also reported at amortized cost.

H. Inventory and Prepaid Items

Inventories are immaterial to the financial statements and are therefore not capitalized as assets.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

I. Allowance for Uncollectible Accounts

The Town calculates its allowances for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible taxes and water and sewer receivables are \$15,578 and \$35,535, respectively at June 30, 2019.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

J. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds of the Town, and as assets in the government-wide financial statements to the extent that the Town’s capitalization threshold of \$5,000 is met. Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Land improvements	10-40 years
Buildings	20-40 years
Plant, equipment, and infrastructure	25-50 years
Plans and topographic maps	5-40 years
Vehicles	5-7 years
Machinery and Equipment	5-10 years
Intangibles	5-6 years

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources are comprised of certain items related to the measurement of the net pension liability and net OPEB liability and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents 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 that time. The Town has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

L. Pensions

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

M. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI OPEB Plan and the additions to/deductions from the VRS OPEB Plan'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.

N. Accumulated Unpaid Vacation Pay and Other Employee Benefit Amounts

Vested vacation pay, sick pay and other related employee benefit amounts are accrued when earned in all funds. The current amount of leave liability has been estimated at 10%. The balance of compensated absences has been reported as a long-term liability.

O. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental or business-type activities. Bonds payable are reported net of the applicable bond premium or discount. Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate fund.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums on 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.

P. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Significant estimates, which are elements of these financial statements, include allowance for doubtful accounts receivable, useful lives for tangible property, and pension related items. Actual results could differ from those estimates.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Q. Net Position

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

R. Net Position Flow Assumption

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

S. Fund Balance

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

S. Fund Balance: (Continued)

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance/resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

Policy requires that the general and enterprise fund balance should equal not less than 10% of the budgeted expenditures for that fund plus an amount equal to the Town's prior debt expense for that fund. If unassigned fund balance is less than this amount, the deficit must be funded within 3 years, 1/3 each year.

T. Upcoming Pronouncements

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

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

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments)

The Town’s investments at June 30, 2019 were held in the Town’s name by the Town’s custodial bank.

Credit Risk of Debt Securities

The Town has no investment policy.

The Town’s rated debt investments as of June 30, 2019 were rated by Standard & Poor’s and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor’s rating scale.

<u>Rated Debt Investments</u>	<u>Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 2,162,391
Money market mutual funds	<u>2</u>
Total	<u>\$ 2,162,393</u>

Interest Rate Risk

The Town invests funds in low risk investments backed by U.S. government agencies.

<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Value</u>	<u>Less Than 1 Year</u>
Local Government Investment Pool	\$ 2,162,391	\$ 2,162,391
Money market mutual funds	<u>2</u>	<u>2</u>
Total	<u>\$ 2,162,393</u>	<u>\$ 2,162,393</u>

External Investment Pool

The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 3—FAIR VALUE MEASUREMENTS:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Town maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The Town has the following recurring fair value measurements as of June 30, 2019:

Investment type	6/30/2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate Stock	\$ 41,400	\$ 41,400	\$ -	\$ -
Money Market Mutual Funds	2	2	-	-
Total	\$ 41,402	\$ 41,402	\$ -	\$ -

NOTE 4—PROPERTY TAXES:

Real and personal property taxes are levied on January 1 at a rate enacted by the Town Council on the assessed value of property as determined by the Commissioner of Revenue of Orange County. Neither the Town Charter nor the State of Virginia imposes a limitation on the tax rate. The Town’s tax rates for fiscal year 2019 were \$.13, \$.99, and \$.24 per \$100 of real estate, personal property, and machinery and tools assessed valuation, respectively.

Real estate taxes are due in two installments, the first on June 5 and the second on December 5. Personal property taxes are due annually on December 5. A penalty of 10 percent is added to each delinquent installment. No discounts are allowed and interest at 10 percent per annum is also assessed on delinquent installments, beginning January 1.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 5—ACCOUNTS RECEIVABLE:

Accounts receivable are detailed as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Property taxes	\$ 102,783	\$ -
Meals taxes	37,529	-
Consumer utility taxes	2,152	-
Consumption taxes	392	-
Other	520	225,008
	<u>143,376</u>	<u>225,008</u>
Total	\$ 143,376	\$ 225,008
Allowance for uncollectibles	<u>(15,578)</u>	<u>(35,535)</u>
	<u>127,798</u>	<u>189,473</u>
Net receivables	<u>\$ 127,798</u>	<u>\$ 189,473</u>

NOTE 6—DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governments are detailed as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Commonwealth of Virginia:			
Communication tax	\$ 4,123	\$ -	\$ 4,123
TEA-21 VDOT grant	23,723	-	23,723
Airport grant	-	24,655	24,655
Other	4	-	4
County of Orange, Virginia:			
Local sales taxes	23,158	-	23,158
Circuit Court of Orange County, Virginia:			
Court fines	<u>12,669</u>	<u>-</u>	<u>12,669</u>
Total	<u>\$ 63,677</u>	<u>\$ 24,655</u>	<u>\$ 88,332</u>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 7—CAPITAL ASSETS:

The following is a summary of changes in capital assets during the fiscal year:

	<u>Balance July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 500,355	\$ 24,706	\$ -	\$ 525,061
Construction in progress	<u>97,178</u>	<u>187,340</u>	<u>8,541</u>	<u>275,977</u>
Total capital assets not being depreciated	<u>\$ 597,533</u>	<u>\$ 212,046</u>	<u>\$ 8,541</u>	<u>\$ 801,038</u>
Other capital assets:				
Land improvements	\$ 124,591	\$ -	\$ -	\$ 124,591
Buildings and improvements	1,165,401	-	-	1,165,401
Infrastructure	3,119,877	-	-	3,119,877
Machinery, equipment and vehicles	<u>334,971</u>	<u>65,012</u>	<u>-</u>	<u>399,983</u>
Total other capital assets	<u>\$ 4,744,840</u>	<u>\$ 65,012</u>	<u>\$ -</u>	<u>\$ 4,809,852</u>
Accumulated depreciation:				
Land improvements	\$ 102,370	\$ 3,464	\$ -	\$ 105,834
Buildings and improvements	498,689	32,800	-	531,489
Infrastructure	141,750	77,997	-	219,747
Machinery, equipment and vehicles	<u>236,857</u>	<u>37,002</u>	<u>-</u>	<u>273,859</u>
Total accumulated depreciation	<u>\$ 979,666</u>	<u>\$ 151,263</u>	<u>\$ -</u>	<u>\$ 1,130,929</u>
Other capital assets, net	<u>\$ 3,765,174</u>	<u>\$ (86,251)</u>	<u>\$ -</u>	<u>\$ 3,678,923</u>
Net capital assets	<u>\$ 4,362,707</u>	<u>\$ 125,795</u>	<u>\$ 8,541</u>	<u>\$ 4,479,961</u>
Depreciation is allocated to:				
General government administration		\$ 102,812		
Public safety		17,298		
Public works		26,164		
Parks, Recreation, and Cultural		<u>4,989</u>		
Total		<u>\$ 151,263</u>		

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Business-type Activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 204,978	\$ -	\$ -	\$ 204,978
Construction in progress	141,739	185,340	3,000	324,079
	<u>346,717</u>	<u>185,340</u>	<u>3,000</u>	<u>529,057</u>
Total capital assets not being depreciated	\$ 346,717	\$ 185,340	\$ 3,000	\$ 529,057
Other capital assets:				
Buildings and improvements	\$ 790,876	\$ -	\$ -	\$ 790,876
Infrastructure	2,958,885	-	-	2,958,885
Machinery, equipment and vehicles	318,894	10,499	-	329,393
	<u>4,068,655</u>	<u>10,499</u>	<u>-</u>	<u>4,079,154</u>
Total other capital assets	\$ 4,068,655	\$ 10,499	\$ -	\$ 4,079,154
Accumulated depreciation:				
Buildings and improvements	\$ 376,689	\$ 21,321	\$ -	\$ 398,010
Infrastructure	1,650,499	73,716	-	1,724,215
Machinery, equipment and vehicles	230,438	36,079	-	266,517
	<u>2,257,626</u>	<u>131,116</u>	<u>-</u>	<u>2,388,742</u>
Total accumulated depreciation	\$ 2,257,626	\$ 131,116	\$ -	\$ 2,388,742
Other capital assets, net	\$ 1,811,029	\$ (120,617)	\$ -	\$ 1,690,412
Net capital assets	<u>\$ 2,157,746</u>	<u>\$ 64,723</u>	<u>\$ 3,000</u>	<u>\$ 2,219,469</u>
Depreciation is allocated to:				
Water and sewer operations		<u>\$ 131,116</u>		

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

	<u>Balance July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>
Business-type Activities:				
Airport Fund				
Capital assets not being depreciated:				
Land	\$ 1,548	\$ -	\$ -	\$ 1,548
Construction in progress	<u>19,313</u>	<u>41,352</u>	<u>-</u>	<u>60,665</u>
Total capital assets not being depreciated	<u>\$ 20,861</u>	<u>\$ 41,352</u>	<u>\$ -</u>	<u>\$ 62,213</u>
Other capital assets:				
Infrastructure	<u>\$ 169,988</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,988</u>
Total other capital assets	<u>\$ 169,988</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,988</u>
Accumulated depreciation:				
Infrastructure	<u>\$ 51,541</u>	<u>\$ 4,249</u>	<u>\$ -</u>	<u>\$ 55,790</u>
Total accumulated depreciation	<u>\$ 51,541</u>	<u>\$ 4,249</u>	<u>\$ -</u>	<u>\$ 55,790</u>
Other capital assets, net	<u>\$ 118,447</u>	<u>\$ (4,249)</u>	<u>\$ -</u>	<u>\$ 114,198</u>
Net capital assets	<u><u>\$ 139,308</u></u>	<u><u>\$ 37,103</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 176,411</u></u>
Depreciation is allocated to:				
Airport operations		<u><u>\$ 4,249</u></u>		

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 8—UNEARNED AND DEFERRED/UNAVAILABLE REVENUE:

Deferred/Unavailable revenue represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred.

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Deferred/Unavailable Property Tax Revenue:		
Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	\$ -	\$ 14,404
2nd half assessments due after June 30	68,911	68,911
Prepaid property taxes due after June 30 but paid in advance by taxpayers	6,663	6,663
Total deferred/unavailable revenue	<u>\$ 75,574</u>	<u>\$ 89,978</u>
Unearned revenue:		
Land lease	<u>\$ 236,503</u>	<u>\$ 236,503</u>

NOTE 9—COMPENSATED ABSENCES:

The Town has accrued the liability arising from outstanding compensated absences. Town employees earn vacation and sick leave based upon length of service. The Town has outstanding accrued compensated absences totaling \$51,316 in governmental activities (funded by the General Fund) and \$5,922 in the Water and Sewer Fund.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 10—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligations of the Town for the year ended June 30, 2019.

	<u>Balance</u> <u>July 1, 2018</u>	<u>Issuances/</u> <u>Increases</u>	<u>Retirements/</u> <u>Decreases</u>	<u>Balance</u> <u>June 30, 2019</u>
Long-term liabilities payable from governmental activities:				
Direct borrowing and placements:				
VRA Bond	\$ 248,400	\$ -	\$ 43,200	\$ 205,200
GO Bonds	1,331,250	-	71,068	1,260,182
Premium on Bond	15,714	-	5,233	10,481
Settlement Agreement - Orange County	76,000	-	9,500	66,500
Capital leases	16,021	42,000	22,081	35,940
Net pension liability	45,256	141,103	131,847	54,512
Net OPEB liability	38,048	8,812	8,520	38,340
Compensated absences	42,527	8,789	-	51,316
	<u>1,813,216</u>	<u>200,704</u>	<u>291,449</u>	<u>1,722,471</u>
Total from governmental activities	\$ 1,813,216	\$ 200,704	\$ 291,449	\$ 1,722,471
Long-term liabilities payable from business-type activities:				
Direct borrowing and placements:				
VRA Bond	\$ 211,600	\$ -	\$ 36,800	\$ 174,800
GO Bonds	270,350	-	14,434	255,916
Premium on Bond	13,386	-	4,456	8,930
Net pension liability	12,862	75,461	61,590	26,733
Net OPEB liability	15,541	3,599	3,480	15,660
Compensated absences	5,362	560	-	5,922
	<u>529,101</u>	<u>79,620</u>	<u>120,760</u>	<u>487,961</u>
Total from business-type activities	\$ 529,101	\$ 79,620	\$ 120,760	\$ 487,961
Total long-term obligations	<u>\$ 2,342,317</u>	<u>\$ 280,324</u>	<u>\$ 412,209</u>	<u>\$ 2,210,432</u>
Reconciliation to Exhibit 1:				
Long-term liabilities:				
Due within one year			\$ 198,928	
Due in more than one year			<u>2,011,504</u>	
Total long-term liabilities			<u>\$ 2,210,432</u>	

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 10—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ended June 30,	VRA Series 2002A \$905,000		VML/VACO Series 2018A/2018B \$1,601,600		Direct Borrowings and Placements Total		Orange County Settlement Agreement \$95,000	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 85,000	\$ 16,397	\$ 84,600	\$ 53,713	\$ 169,600	\$ 70,110	\$ 9,500	\$ -
2021	90,000	12,512	87,700	50,583	177,700	63,095	9,500	-
2022	100,000	7,944	91,000	47,335	191,000	55,279	9,500	-
2023	105,000	2,691	94,300	43,966	199,300	46,657	9,500	-
2024	-	-	97,800	40,471	97,800	40,471	9,500	-
2025-2029	-	-	546,000	145,182	546,000	145,182	19,000	-
2030-2032	-	-	514,698	38,461	514,698	38,461	-	-
Totals	\$ 380,000	\$ 39,544	\$ 1,516,098	\$ 419,711	\$ 1,896,098	\$ 459,255	\$ 66,500	\$ -

Future minimum lease payments under the capital leases are as follows:

Year Ended June 30,	ID Record Software \$42,000	
	Principal	Interest
2020	\$ 6,060	\$ -
2021	7,470	-
2022	7,470	-
2023	7,470	-
2023	7,470	-
Totals	\$ 35,940	\$ -

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 10—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness:

	<u>Total Amount Outstanding</u>	<u>Amount Due Within One Year</u>
<u>Governmental Activities:</u>		
Bonds (Direct Borrowings and Placements):		
On October 15, 2011, the Town issued General Obligation Refunding Bonds in the amount of \$905,000 with interest rates ranging from 2.125% to 5.125% through November 1, 2022. Annual installments are due ranging from \$65,000 to \$105,000. The Town issued the bonds to advance refund \$1,050,000 of the outstanding series 2002 General Obligation Refunding Bonds with interest rates ranging between 3.125% and 5.125%. The refunding reduced total debt service payments over the next 11 years by approximately \$151,860, with a present value savings of \$128,528. The agreement with the Virginia Resources Authority provides that the obligations will be repaid from revenues generated by the Town. The principal and interest payments have been allocated 54% to the general fund and 46% to the water and sewer fund.	\$ 205,200	\$ 45,900
Premium on Issuance	\$ 10,481	\$ 4,343
On February 26, 2018, the Town issued General Obligation Refunding Bonds in the amount of \$900,000 and \$701,600 with interest at 3.28% and 4.11%, respectively, through August 1, 2032. Annual installments are due ranging from \$48,700 to \$74,600. Proceeds were used to pay off interim financing. Proceeds have been allocated 83% to the general fund and 17% to the water and sewer fund.	\$ 1,260,182	\$ 70,320
Total direct borrowings and placements (bonds payable)	\$ 1,475,863	\$ 120,563
Settlement Agreement:		
The Town entered into a settlement agreement with Orange County, Virginia in December 2016 related to the County Treasurer's overpayment of \$95,000 in sales tax to the Town. The settlement terms require ten (10) annual payments of \$9,500 without interest beginning July 1, 2017.	\$ 66,500	\$ 9,500

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 10—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness: (Continued)

	<u>Total Amount Outstanding</u>	<u>Amount Due Within One Year</u>
Capital leases:		
In February 2019, the Town entered into a long-term lease through February, 2023 to finance the purchase of ID Records Software. This lease provides for two annual payments in the amount of \$6,060 and four annual payments in the amount of \$7,470, with no interest. The software was capitalized in the amount of \$42,000 with accumulated depreciation of \$3,521 at June 30, 2019.	\$ 35,940	\$ 6,060
Net pension liability	\$ 54,512	\$ -
Net OPEB liability	\$ 38,340	\$ -
Compensated absences	\$ 51,316	\$ 5,132
Total long-term obligations from governmental activities	<u>\$ 1,722,471</u>	<u>\$ 141,255</u>
<u>Business-type Activities:</u>		
Bonds (Direct Borrowings and Placements):		
Payments on the \$905,000 bond described above are allocated 46% to the water and sewer fund.	\$ 174,800	\$ 39,100
Payments on the 2018 bonds described above are allocated 17% to the water and sewer fund.	\$ 255,916	\$ 14,281
Total direct borrowings and placements (bonds payable)	<u>\$ 430,716</u>	<u>\$ 53,381</u>
Premium on Issuance	\$ 8,930	\$ 3,700
Net pension liability	\$ 26,733	\$ -
Net OPEB liability	\$ 15,660	\$ -
Compensated absences	\$ 5,922	\$ 592
Total long-term obligations from business-type activities	<u>\$ 487,961</u>	<u>\$ 57,673</u>

In the event of a default on the 2011 bonds, the lender may declare the unpaid principal balance, along with all accrued interest thereon, to be immediately due and payable. In the event of default on the 2018 bonds, the unpaid principal amount of the bond shall bear interest at the rate of 12 percent per annum or the maximum rate permitted under applicable law, whichever is less.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 11—LEASE AND RELATED AGREEMENTS:

Lease of Land

On February 5, 1992, the Town Council granted an option to lease land to a company that used the land to build an energy cogeneration plant. The option was exercised during the fiscal year ended June 30, 1993.

The lease operates under three separate terms: the Preliminary Term, the Initial Term, and the Renewal Term. The Preliminary Term extended from February 5, 1992 until February 5, 1996. The Initial Term extends from the end of the Preliminary Term for a period of thirty years. Under the terms of the lease agreement, the tenant would then have the option of renewing the lease for one Renewal Term, which would extend the entire option/lease agreement to no more than forty years.

Rent revenue under the contract totals approximately \$232,000 per year, not including miscellaneous charges. For the fiscal year ended June 30, 2019, rent and miscellaneous charges totaled \$398,545.

Water Agreements

On January 28, 1993, the Town agreed to reserve not less than 3,000,000 gallons per month (gpm) of potable water for the plant's use as process water and its normal domestic potable water supply. The rate charged is equal to the Town's rate from the water provider plus the amount the Town adds to those rates. This agreement was effective upon execution by both parties. The initial term of the agreement ends thirty years from the date of execution and automatically renews at the end of the initial term and each of two additional five-year periods, unless written notice is received of the plant's intention not to renew at least one year prior to the expiration of the initial term or any renewal period.

On August 16, 1993, the water agreement was amended to provide 6,000,000 gpm. The rates charged on the first 3,000,000 gpm are based on the original agreement. However, rates on the second 3,000,000 gpm are dependent upon use. The plant shall pay the Town's markup on the second 3,000,000, whether any portion of the Town Water Supply is actually delivered or not. If delivery of any portion of the second 3,000,000 is made, in addition to the monthly markup payment, the Town shall be paid the actual cost by the Town to the provider for that portion in excess of the first 100,000 used by the plant.

On July 18, 1994, a quarry water agreement was entered into between these same parties. This allowed the plant to design and construct a system necessary to withdraw water from the Quarry and transport 5,000,000 gpm to the power production facility. The plant was given the non-exclusive right, but not the obligation, to withdraw and use up to 5,000,000 gpm of Quarry Water. The plant pays the Town a rate of 20% of the Industrial Water Rate as periodically changed by amendments to the Town Code per month for the reservation of the Reserved Water. Therefore, no further payments are to be made for withdrawals of the reserved water unless such withdrawals exceed 5,000,000 gpm. All water withdrawn in excess of 5,000,000 gpm shall be paid at a rate of 20% of the Industrial Water Rate as periodically changed by amendments to the Town Code. This agreement was effective upon execution by both parties. The initial term of the agreement ends thirty years from the date of execution and automatically renews at the end of the initial term and each of two additional five-year periods, unless written notice is received of the plant's intention not to renew at least one year prior to the expiration of the initial term or any renewal period.

On April 18, 2016, a quarry water access agreement and deed of easement was entered into between the Town and Klockner Pentaplast of America, Inc. The term of the agreement is 5 years and the parties agreed to enter into good faith negotiations to extend the term of the agreement at least 6 months prior to the expiration of the initial term of the agreement. Klockner shall pay the Town \$6,000 per year in accordance with this agreement.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 12—PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by VRS Retirement Plan upon employment. This agent multiple-employer 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.

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	6
Inactive members:	
Vested inactive members	2
Non-vested inactive members	7
Inactive members active elsewhere in VRS	<u>13</u>
Total inactive members	22
Active members	<u>18</u>
Total covered employees	<u><u>46</u></u>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

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 employer contribution rate for the year ended June 30, 2019 was 9.92% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$67,988 and \$57,560 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

The 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. The Town’s net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 and rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions - General Employees

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

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

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

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-Hazardous Duty:

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

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

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

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

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

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

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

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

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

Mortality rates:

Largest 10 -Hazardous Duty: 70% of deaths are assumed to be service related:

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

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

Post-Disablement:

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

All Others (Non 10 Largest) -Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

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

Post-Disablement:

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

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

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

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 12—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:

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

Discount Rate (Continued)

from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 1,359,622	\$ 1,301,504	\$ 58,118
Changes for the year:			
Service cost	\$ 92,413	\$ -	\$ 92,413
Interest	92,717	-	92,717
Differences between expected and actual experience	24,279	-	24,279
Contributions - employer	-	57,578	(57,578)
Contributions - employee	-	32,502	(32,502)
Net investment income	-	97,096	(97,096)
Benefit payments, including refunds of employee contributions	(70,183)	(70,183)	-
Administrative expenses	-	(806)	806
Other changes	-	(88)	88
Net changes	\$ 139,226	\$ 116,099	\$ 23,127
Balances at June 30, 2018	\$ 1,498,848	\$ 1,417,603	\$ 81,245

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Town's Net Pension Liability (Asset)	\$ 304,107	\$ 81,245	\$ (100,805)

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

For the year ended June 30, 2019, the Town recognized pension expense of \$50,865. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,875	\$ 13,112
Change in assumptions	-	6,212
Net difference between projected and actual earnings on pension plan investments	-	12,216
Changes in proportion	4,455	4,455
Employer contributions subsequent to the measurement date	67,988	-
Total	\$ <u>100,318</u>	\$ <u>35,995</u>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$67,988 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 fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>		
2020	\$	4,243
2021		1,929
2022		(8,771)
2023		(1,066)
Thereafter		-

Pension Plan Data

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

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS:

Group Life Insurance (GLI) Program

Plan Description

The Group Life Insurance (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. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI 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.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Program (Continued)

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$3,674 and \$3,480 for the years ended June 30, 2019 and June 30, 2018, respectively.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

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

At June 30, 2019, the entity reported a liability of \$54,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was .00352% as compared to .00356% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of (\$2,000). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,000	\$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	2,000
Change in assumptions	-	2,000
Changes in proportion	-	4,000
Employer contributions subsequent to the measurement date	<u>3,674</u>	<u>-</u>
Total	<u>\$ 6,674</u>	<u>\$ 9,000</u>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (Continued)

\$3,674 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2020	\$	(2,000)
2021		(2,000)
2022		(2,000)
2023		-
2024		-
Thereafter		-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

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

Post-Disablement:

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

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

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

Post-Disablement:

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

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the 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, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
		<hr/>
Total GLI OPEB Liability	\$	3,113,508
Plan Fiduciary Net Position		1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$	<hr/> <hr/> 1,518,735
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

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

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System’s 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 System’s 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:

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

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

Discount Rate

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

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Town's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 70,000	\$ 54,000	\$ 40,000

GLI Program Fiduciary Net Position

Detailed information about the GLI Program’s Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Line of Duty Act (LODA)

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The Town has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the Town to VML. VML assumes all liability for the Town’s LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Town’s LODA coverage is fully covered or “insured” through Virginia Risk Sharing Association. This is built into the LODA coverage cost presented in the annual renewals. The Town’s LODA premium for the year ended June 30, 2019 was \$6,131.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 14—CONTINGENT LIABILITIES:

At June 30, 2019 there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

NOTE 15—COMMITMENTS:

The Town had commitments at year-end related to three projects. Outstanding amounts are as follows:

	<u>Contract Amount</u>	<u>Spent to Date</u>	<u>Balance of Contract</u>
Airport Pavement Study	\$ 24,941	\$ 22,016	\$ 2,925
Airport Runway Rehabilitation	52,570	38,790	13,780
Freight Depot Rehab	42,610	12,956	29,654
Total	<u>\$ 120,121</u>	<u>\$ 73,762</u>	<u>\$ 46,359</u>

NOTE 16—RISK MANAGEMENT:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates with other localities in a public entity risk pool for coverage of workers' compensation with Virginia Municipal league and public officials' liability with the Virginia Department of Risk Management. The Town pays an annual premium to the pools for its insurance through member premiums. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 17—INTERGOVERNMENTAL AGREEMENT:

In September 2007, the Town entered into a raw water storage basin agreement with the Town of Orange, Virginia. The agreement stipulates that the interest cost to Orange for the financing of the construction of the raw water storage basin will be borne by Gordonsville and Orange in proportion to the monthly amount each takes of the finished water produced by Orange. The agreement shall continue until payments are made for forty (40) years or until the bonds are paid off, whichever occurs first. The Town of Gordonsville made payments totaling \$10,198 during fiscal year 2019 pursuant to the agreement.

NOTE 18—ADOPTION OF ACCOUNTING PRINCIPLE:

The Town implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

NOTE 19—RESTATEMENT OF NET POSITION:

The Town restated net position in the water and sewer fund to reflect unbilled water and sewer receivables. Details of the restatement are as follows:

	<u>Water and Sewer Fund</u>	<u>Business-Type Activities</u>
Net position as reported at June 30, 2018	\$ 3,505,661	\$ 3,691,844
Unbilled water and sewer sales at June 30, 2018	<u>61,420</u>	<u>61,420</u>
Net position as restated at July 1, 2018	<u>\$ 3,567,081</u>	<u>\$ 3,753,264</u>

NOTE 20—INTERFUND TRANSFERS:

The Town made interfund transfers of \$4,979 from the general fund to the pool fund during the year to support pool operations. However, the pool fund ended the year with a deficit balance of \$10,339.

NOTE 21—SUBSEQUENT EVENTS:

On December 13, 2019, CSX Transportation, Inc. accepted the Town's offer to purchase property at Verling Park. The total purchase price is \$29,700, of which a deposit of \$2,970 was made in December 2019.

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Required Supplementary Information

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General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 242,550	\$ 242,550	\$ 289,362	\$ 46,812
Other local taxes	673,200	673,200	708,524	35,324
Permits, privilege fees, and regulatory licenses	500	500	610	110
Fines and forfeitures	185,000	185,000	121,239	(63,761)
Revenue from the use of money and property	456,700	456,700	474,081	17,381
Miscellaneous	9,100	9,100	13,606	4,506
Intergovernmental:				
Commonwealth	115,550	115,550	114,712	(838)
Federal	176,300	176,300	23,723	(152,577)
Total revenues	<u>\$ 1,858,900</u>	<u>\$ 1,858,900</u>	<u>\$ 1,745,857</u>	<u>\$ (113,043)</u>
EXPENDITURES				
Current:				
General government administration	\$ 387,565	\$ 399,532	\$ 405,054	\$ (5,522)
Public safety	584,100	591,000	609,607	(18,607)
Public works	410,360	452,688	511,915	(59,227)
Health and welfare	4,200	4,200	4,521	(321)
Parks, recreation, and cultural	51,550	55,428	48,597	6,831
Community development	1,300	1,300	1,300	-
Capital projects	237,900	510,023	247,783	262,240
Debt service:				
Principal retirement	109,850	109,850	145,849	(35,999)
Interest and other fiscal charges	39,555	39,555	55,398	(15,843)
Total expenditures	<u>\$ 1,826,380</u>	<u>\$ 2,163,576</u>	<u>\$ 2,030,024</u>	<u>\$ 133,552</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 32,520</u>	<u>\$ (304,676)</u>	<u>\$ (284,167)</u>	<u>\$ 20,509</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (27,520)	\$ (27,520)	\$ (4,979)	\$ 22,541
Issuance of capital lease	-	-	42,000	42,000
Total other financing sources (uses)	<u>\$ (27,520)</u>	<u>\$ (27,520)</u>	<u>\$ 37,021</u>	<u>\$ 64,541</u>
Net change in fund balances	\$ 5,000	\$ (332,196)	\$ (247,146)	\$ 85,050
Fund balances - beginning	(5,000)	332,196	767,710	435,514
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 520,564</u>	<u>\$ 520,564</u>

Pool Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 22,900	\$ 22,900	\$ 15,838	\$ (7,062)
Miscellaneous	4,000	4,000	2,727	(1,273)
Total revenues	<u>\$ 26,900</u>	<u>\$ 26,900</u>	<u>\$ 18,565</u>	<u>\$ (8,335)</u>
EXPENDITURES				
Current:				
Parks, recreation, and cultural	\$ 54,420	\$ 54,420	\$ 41,389	\$ 13,031
Total expenditures	<u>\$ 54,420</u>	<u>\$ 54,420</u>	<u>\$ 41,389</u>	<u>\$ 13,031</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (27,520)</u>	<u>\$ (27,520)</u>	<u>\$ (22,824)</u>	<u>\$ 4,696</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 27,520	\$ 27,520	\$ 4,979	\$ (22,541)
Total other financing sources (uses)	<u>\$ 27,520</u>	<u>\$ 27,520</u>	<u>\$ 4,979</u>	<u>\$ (22,541)</u>
Net change in fund balances	\$ -	\$ -	\$ (17,845)	\$ (17,845)
Fund balances - beginning	-	-	7,506	7,506
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,339)</u>	<u>\$ (10,339)</u>

Schedule of Changes in Net Pension Liability and Related Ratios
 Virginia Retirement System - Pension Plan
 For the Measurement Dates of June 30, 2014 through June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$ 92,413	\$ 86,025	\$ 88,347	\$ 69,845	\$ 73,034
Interest	92,717	89,159	77,652	71,368	64,493
Changes in benefit terms	-	-	50,110	-	-
Changes in assumptions	-	(13,270)	-	-	-
Differences between expected and actual experience	24,279	(28,010)	25,841	197	-
Benefit payments, including refunds of employee contributions	(70,183)	(95,952)	(59,202)	(44,053)	(34,594)
Net change in total pension liability	<u>\$ 139,226</u>	<u>\$ 37,952</u>	<u>\$ 182,748</u>	<u>\$ 97,357</u>	<u>\$ 102,933</u>
Total pension liability - beginning	1,359,622	1,321,670	1,138,922	1,041,565	938,632
Total pension liability - ending (a)	<u>\$ 1,498,848</u>	<u>\$ 1,359,622</u>	<u>\$ 1,321,670</u>	<u>\$ 1,138,922</u>	<u>\$ 1,041,565</u>
Plan fiduciary net position					
Contributions - employer	\$ 57,578	\$ 56,233	\$ 70,801	\$ 46,261	\$ 54,881
Contributions - employee	32,502	31,436	34,569	32,323	30,927
Net investment income	97,096	140,641	22,237	48,238	135,910
Benefit payments, including refunds of employee contributions	(70,183)	(95,952)	(59,202)	(44,053)	(34,594)
Administrative expense	(806)	(797)	(643)	(613)	(682)
Other	(88)	(127)	(9)	(9)	7
Net change in plan fiduciary net position	<u>\$ 116,099</u>	<u>\$ 131,434</u>	<u>\$ 67,753</u>	<u>\$ 82,147</u>	<u>\$ 186,449</u>
Plan fiduciary net position - beginning	1,301,504	1,170,070	1,102,317	1,020,170	833,721
Plan fiduciary net position - ending (b)	<u>\$ 1,417,603</u>	<u>\$ 1,301,504</u>	<u>\$ 1,170,070</u>	<u>\$ 1,102,317</u>	<u>\$ 1,020,170</u>
Town's net pension liability - ending (a) - (b)	\$ 81,245	\$ 58,118	\$ 151,600	\$ 36,605	\$ 21,395
Plan fiduciary net position as a percentage of the total pension liability	94.58%	95.73%	88.53%	96.79%	97.95%
Covered payroll	\$ 669,139	\$ 651,297	\$ 698,070	\$ 646,575	\$ 620,712
Town's net pension liability as a percentage of covered payroll	12.14%	8.92%	21.72%	5.66%	3.45%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions - Pension Plan
 For the Years Ended June 30, 2010 through June 30, 2019

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2019	\$ 67,988	\$ 67,988	\$ -	\$ 706,527	9.62%
2018	57,560	57,560	-	669,139	8.60%
2017	56,233	56,233	-	651,297	8.63%
2016	70,801	70,801	-	698,070	10.14%
2015	49,440	49,440	-	646,575	7.65%
2014	54,436	54,436	-	620,712	8.77%
2013	54,330	54,330	-	619,494	8.77%
2012	54,272	54,272	-	595,746	9.11%
2011	50,486	50,486	-	554,181	9.11%
2010	47,193	47,193	-	564,513	8.36%

Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2019

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

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

Largest 10 - Non-Hazardous Duty:

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

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

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

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Schedule of Town's Share of Net OPEB Liability - Group Life Insurance Program
 For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2018	0.00352% \$	54,000 \$	669,139	8.07%	51.22%
2017	0.00356%	53,589	656,026	8.17%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions - Group Life Insurance Program
 For the Years Ended June 30, 2010 through June 30, 2019

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2019	\$ 3,674	\$ 3,674	\$ -	\$ 706,527	0.52%
2018	3,480	3,480	-	669,139	0.52%
2017	3,411	3,411	-	656,026	0.52%
2016	3,351	3,351	-	698,070	0.48%
2015	3,104	3,104	-	646,575	0.48%
2014	2,979	2,979	-	620,712	0.48%
2013	2,974	2,974	-	619,494	0.48%
2012	1,668	1,668	-	595,746	0.28%
2011	1,552	1,552	-	554,173	0.28%
2010	1,524	1,524	-	564,513	0.27%

Notes to Required Supplementary Information - Group Life Insurance Program
For the Year Ended June 30, 2019

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

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

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Supporting Schedules

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 147,050	\$ 147,050	\$ 162,765	\$ 15,715
Real and personal public service corporation taxes	4,000	4,000	5,626	1,626
Personal property taxes	55,500	55,500	73,984	18,484
Mobile home taxes	-	-	109	109
Machinery and tools taxes	27,500	27,500	24,463	(3,037)
Penalties	4,000	4,000	8,861	4,861
Interest and other fees	4,500	4,500	13,554	9,054
Total general property taxes	<u>\$ 242,550</u>	<u>\$ 242,550</u>	<u>\$ 289,362</u>	<u>\$ 46,812</u>
Other local taxes:				
Local sales and use taxes	\$ 87,000	\$ 87,000	\$ 87,948	\$ 948
Consumers' utility taxes	29,800	29,800	31,792	1,992
Cigarette taxes	26,000	26,000	45,000	19,000
Business license taxes	95,700	95,700	103,813	8,113
Motor vehicle licenses	26,000	26,000	36,873	10,873
Bank stock taxes	8,400	8,400	13,063	4,663
Cable franchise taxes	-	-	70	70
Restaurant food taxes	400,300	400,300	389,965	(10,335)
Total other local taxes	<u>\$ 673,200</u>	<u>\$ 673,200</u>	<u>\$ 708,524</u>	<u>\$ 35,324</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 500	\$ 500	\$ 610	\$ 110
Total permits, privilege fees, and regulatory licenses	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 610</u>	<u>\$ 110</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 185,000	\$ 185,000	\$ 121,219	\$ (63,781)
Other fines	-	-	20	20
Total fines and forfeitures	<u>\$ 185,000</u>	<u>\$ 185,000</u>	<u>\$ 121,239</u>	<u>\$ (63,761)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 9,000	\$ 9,000	\$ 48,243	\$ 39,243
Revenue from use of property	447,700	447,700	425,838	(21,862)
Total revenue from use of money and property	<u>\$ 456,700</u>	<u>\$ 456,700</u>	<u>\$ 474,081</u>	<u>\$ 17,381</u>
Miscellaneous:				
Miscellaneous	\$ 9,100	\$ 9,100	\$ 13,606	\$ 4,506
Total revenue from local sources	<u>\$ 1,567,050</u>	<u>\$ 1,567,050</u>	<u>\$ 1,607,422</u>	<u>\$ 40,372</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock taxes	\$ 1,000	\$ 1,000	\$ 996	\$ (4)
Communication taxes	28,500	28,500	25,835	(2,665)
Personal property tax relief funds	33,700	33,700	33,719	19
Total noncategorical aid	<u>\$ 63,200</u>	<u>\$ 63,200</u>	<u>\$ 60,550</u>	<u>\$ (2,650)</u>
Categorical aid:				
Other categorical aid:				
599 Funding	\$ 38,750	\$ 38,750	\$ 40,192	\$ 1,442
Litter control grant	3,600	3,600	3,970	370
Fire programs fund	10,000	10,000	10,000	-
Total other categorical aid	<u>\$ 52,350</u>	<u>\$ 52,350</u>	<u>\$ 54,162</u>	<u>\$ 1,812</u>
Total revenue from the Commonwealth	<u>\$ 115,550</u>	<u>\$ 115,550</u>	<u>\$ 114,712</u>	<u>\$ (838)</u>
Revenue from the federal government:				
Categorical aid:				
TEA-21 Depot Grant	\$ 176,300	\$ 176,300	\$ 23,723	\$ (152,577)
Total categorical aid	<u>\$ 176,300</u>	<u>\$ 176,300</u>	<u>\$ 23,723</u>	<u>\$ (152,577)</u>
Total revenue from the federal government	<u>\$ 176,300</u>	<u>\$ 176,300</u>	<u>\$ 23,723</u>	<u>\$ (152,577)</u>
Total General Fund	<u>\$ 1,858,900</u>	<u>\$ 1,858,900</u>	<u>\$ 1,745,857</u>	<u>\$ (113,043)</u>
Special Revenue Fund:				
Pool Fund:				
Revenue from local sources:				
Charges for services:				
Charges for open swim	\$ 10,000	\$ 10,000	\$ 12,562	\$ 2,562
Charges for swim lessons	3,000	3,000	-	(3,000)
Charges for lifeguard certification	900	900	160	(740)
Charges for concessions	2,500	2,500	2,751	251
Charges for private rentals	200	200	365	165
Charges for swim team	6,300	6,300	-	(6,300)
Total charges for services	<u>\$ 22,900</u>	<u>\$ 22,900</u>	<u>\$ 15,838</u>	<u>\$ (7,062)</u>
Miscellaneous:				
Donations	\$ 4,000	\$ 4,000	\$ 2,554	\$ (1,446)
Other miscellaneous	-	-	173	173
Total miscellaneous	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 2,727</u>	<u>\$ (1,273)</u>
Total revenue from local sources	<u>\$ 26,900</u>	<u>\$ 26,900</u>	<u>\$ 18,565</u>	<u>\$ (8,335)</u>
Total Pool Fund	<u>\$ 26,900</u>	<u>\$ 26,900</u>	<u>\$ 18,565</u>	<u>\$ (8,335)</u>
Total Primary Government	<u>\$ 1,885,800</u>	<u>\$ 1,885,800</u>	<u>\$ 1,764,422</u>	<u>\$ (121,378)</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 19,770	\$ 21,033	\$ 17,943	\$ 3,090
General and financial administration:				
Administration	\$ 216,520	\$ 224,620	\$ 229,218	\$ (4,598)
Town attorney	20,540	20,540	19,665	875
Treasurer	130,735	133,339	138,228	(4,889)
Total general and financial administration	<u>\$ 367,795</u>	<u>\$ 378,499</u>	<u>\$ 387,111</u>	<u>\$ (8,612)</u>
Total general government administration	<u>\$ 387,565</u>	<u>\$ 399,532</u>	<u>\$ 405,054</u>	<u>\$ (5,522)</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 564,650	\$ 571,550	\$ 591,157	\$ (19,607)
Total law enforcement and traffic control	<u>\$ 564,650</u>	<u>\$ 571,550</u>	<u>\$ 591,157</u>	<u>\$ (19,607)</u>
Fire and rescue services:				
Volunteer fire department	\$ 19,450	\$ 19,450	\$ 18,450	\$ 1,000
Total fire and rescue services	<u>\$ 19,450</u>	<u>\$ 19,450</u>	<u>\$ 18,450</u>	<u>\$ 1,000</u>
Total public safety	<u>\$ 584,100</u>	<u>\$ 591,000</u>	<u>\$ 609,607</u>	<u>\$ (18,607)</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 332,810	\$ 356,638	\$ 415,898	\$ (59,260)
Sanitation and waste removal:				
Refuse collection	\$ 50,000	\$ 68,500	\$ 68,477	\$ 23
Refuse disposal	3,200	3,200	3,003	197
Litter control	3,750	3,750	3,914	(164)
Total sanitation and waste removal	<u>\$ 56,950</u>	<u>\$ 75,450</u>	<u>\$ 75,394</u>	<u>\$ 56</u>
Maintenance of general buildings and grounds:				
Rental property maintenance	\$ 20,600	\$ 20,600	\$ 20,623	\$ (23)
Total maintenance of general buildings and grounds	<u>\$ 20,600</u>	<u>\$ 20,600</u>	<u>\$ 20,623</u>	<u>\$ (23)</u>
Total public works	<u>\$ 410,360</u>	<u>\$ 452,688</u>	<u>\$ 511,915</u>	<u>\$ (59,227)</u>
Health and welfare:				
Welfare:				
Property tax relief for the elderly and handicapped	\$ 2,500	\$ 2,500	\$ 2,821	\$ (321)
Piedmont Regional Dental Clinic	500	500	500	-
Other	1,200	1,200	1,200	-
Total welfare	<u>\$ 4,200</u>	<u>\$ 4,200</u>	<u>\$ 4,521</u>	<u>\$ (321)</u>
Total health and welfare	<u>\$ 4,200</u>	<u>\$ 4,200</u>	<u>\$ 4,521</u>	<u>\$ (321)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Gordonsville little league	\$ 2,000	\$ 2,000	\$ 2,368	\$ (368)
5K event	850	850	838	12
Total parks and recreation	<u>\$ 2,850</u>	<u>\$ 2,850</u>	<u>\$ 3,206</u>	<u>\$ (356)</u>
Cultural enrichment:				
Historic Gordonsville	\$ 2,250	\$ 2,250	\$ 2,250	-
Visitor's Center	42,600	46,478	37,741	8,737
The Journey through Hollowed Ground	500	500	500	-
Fried Chicken Festival	3,350	3,350	4,900	(1,550)
Total cultural enrichment	<u>\$ 48,700</u>	<u>\$ 52,578</u>	<u>\$ 45,391</u>	<u>\$ 7,187</u>
Total parks, recreation, and cultural	<u>\$ 51,550</u>	<u>\$ 55,428</u>	<u>\$ 48,597</u>	<u>\$ 6,831</u>
Community development:				
Planning and community development:				
Other community development	\$ 1,300	\$ 1,300	\$ 1,300	-
Total community development	<u>\$ 1,300</u>	<u>\$ 1,300</u>	<u>\$ 1,300</u>	<u>\$ -</u>
Capital projects:				
Other capital projects	\$ 12,400	\$ 72,386	\$ 14,374	\$ 58,012
Residential rental properties	-	13,503	15,503	(2,000)
Public works facility	-	198,634	183,204	15,430
Depot - Town	44,200	44,200	5,931	38,269
Depot - VDOT	176,300	176,300	23,723	152,577
Public works vehicles and equipment	5,000	5,000	4,263	737
Equipment purchase	-	-	785	(785)
Total capital projects	<u>\$ 237,900</u>	<u>\$ 510,023</u>	<u>\$ 247,783</u>	<u>\$ 262,240</u>
Debt service:				
Principal retirement	\$ 109,850	\$ 109,850	\$ 145,849	\$ (35,999)
Interest and other fiscal charges	39,555	39,555	55,398	(15,843)
Total debt service	<u>\$ 149,405</u>	<u>\$ 149,405</u>	<u>\$ 201,247</u>	<u>\$ (51,842)</u>
Total General Fund	<u>\$ 1,826,380</u>	<u>\$ 2,163,576</u>	<u>\$ 2,030,024</u>	<u>\$ 133,552</u>
Special Revenue Fund:				
Pool Fund:				
Parks and Recreation:				
Swimming Pool	\$ 54,420	\$ 54,420	\$ 41,389	\$ 13,031
Total Pool Fund	<u>\$ 54,420</u>	<u>\$ 54,420</u>	<u>\$ 41,389</u>	<u>\$ 13,031</u>
Total Primary Government	<u>\$ 1,880,800</u>	<u>\$ 2,217,996</u>	<u>\$ 2,071,413</u>	<u>\$ 146,583</u>

Compliance



**INDEPENDENT AUDITORS' 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 MAYOR AND MEMBERS OF THE
TOWN COUNCIL
TOWN OF GORDONSVILLE, VIRGINIA**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Gordonsville, Virginia as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Town of Gordonsville, Virginia's basic financial statements and have issued our report thereon dated December 30, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson Faren Cox Associates

Charlottesville, Virginia
December 30, 2019