



TOWN OF GORDONSVILLE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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Annual Financial Report
For the Year Ended June 30, 2020

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TOWN OF GORDONSVILLE, VIRGINIA

Annual Financial Report
For the Year Ended June 30, 2020

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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, 2020, 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, 2020, 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.

Restatement of Beginning Balances

As described in Note 19 to the financial statements, in 2020, the Town restated beginning balances to reflect previously budgeted operating transfers to the pool fund. 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 January 13, 2021, 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 Faren Cox Associates

Charlottesville, Virginia

January 13, 2021

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Basic Financial Statements

Government-wide Financial Statements

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Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 552,400	\$ 2,007,257	\$ 2,559,657
Receivables, net of allowance for uncollectibles:			
Taxes receivable	101,593	-	101,593
Accounts receivable	51,562	143,589	195,151
Due from other governmental units	54,909	5,531	60,440
Prepaid items	8,823	1,440	10,263
Restricted assets:			
Cash held for customer deposits	7,203	37,942	45,145
Cash held for pool renovations	69,484	-	69,484
Capital assets, net of accumulated depreciation:			
Land	554,744	206,526	761,270
Construction in progress	-	182,119	182,119
Land improvements	32,403	-	32,403
Buildings and improvements	916,859	733,902	1,650,761
Infrastructure	2,822,133	1,270,905	4,093,038
Machinery, equipment and vehicles	103,159	67,760	170,919
Total assets	<u>\$ 5,275,272</u>	<u>\$ 4,656,971</u>	<u>\$ 9,932,243</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 96,381	\$ 27,908	\$ 124,289
OPEB related items	14,532	2,746	17,278
Total deferred outflows of resources	<u>\$ 110,913</u>	<u>\$ 30,654</u>	<u>\$ 141,567</u>
LIABILITIES			
Accounts payable	\$ 48,370	\$ 18,726	\$ 67,096
Contracts payable	-	2,406	2,406
Accrued liabilities	65,769	12,286	78,055
Customers' deposits payable from restricted assets	7,203	37,942	45,145
Accrued interest payable	20,031	5,339	25,370
Unearned revenue	243,595	-	243,595
Long-term liabilities:			
Due within one year	146,521	59,533	206,054
Due in more than one year	1,470,523	364,077	1,834,600
Total liabilities	<u>\$ 2,002,012</u>	<u>\$ 500,309</u>	<u>\$ 2,502,321</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 76,262	\$ -	\$ 76,262
Pension related items	23,475	11,095	34,570
OPEB related items	5,404	6,237	11,641
Total deferred inflows of resources	<u>\$ 105,141</u>	<u>\$ 17,332</u>	<u>\$ 122,473</u>
NET POSITION			
Net investment in capital assets	\$ 3,051,588	\$ 2,076,241	\$ 5,127,829
Restricted:			
Pool improvements and activities	69,484	-	69,484
Unrestricted	157,960	2,093,743	2,251,703
Total net position	<u>\$ 3,279,032</u>	<u>\$ 4,169,984</u>	<u>\$ 7,449,016</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, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 468,008	\$ 711	\$ 10,362	\$ -
Public safety	641,782	145,183	54,033	-
Public works	542,673	-	3,306	-
Health and welfare	4,709	-	-	-
Parks, recreation, and cultural	98,721	7,433	10,968	7,601
Interest on long-term debt	47,586	-	-	-
Total governmental activities	<u>\$ 1,803,479</u>	<u>\$ 153,327</u>	<u>\$ 78,669</u>	<u>\$ 7,601</u>
Business-type activities:				
Water and Sewer Fund	\$ 1,273,068	\$ 1,318,847	\$ -	\$ -
Airport Fund	21,434	34,705	-	82,534
Total business-type activities	<u>\$ 1,294,502</u>	<u>\$ 1,353,552</u>	<u>\$ -</u>	<u>\$ 82,534</u>
Total primary government	<u>\$ 3,097,981</u>	<u>\$ 1,506,879</u>	<u>\$ 78,669</u>	<u>\$ 90,135</u>

General revenues:

- General property taxes
- Local sales and use taxes
- Cigarette 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
- 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
\$ (456,935)		\$ (456,935)
(442,566)		(442,566)
(539,367)		(539,367)
(4,709)		(4,709)
(72,719)		(72,719)
(47,586)		(47,586)
<u>\$ (1,563,882)</u>		<u>\$ (1,563,882)</u>
	\$ 45,779	\$ 45,779
	95,805	95,805
	<u>\$ 141,584</u>	<u>\$ 141,584</u>
<u>\$ (1,563,882)</u>	<u>\$ 141,584</u>	<u>\$ (1,422,298)</u>
\$ 259,345	\$ -	\$ 259,345
99,494	-	99,494
42,000	-	42,000
31,714	-	31,714
103,437	-	103,437
365,688	-	365,688
43,089	-	43,089
505,866	79,213	585,079
28,098	-	28,098
59,961	-	59,961
<u>\$ 1,538,692</u>	<u>\$ 79,213</u>	<u>\$ 1,617,905</u>
<u>\$ (25,190)</u>	<u>\$ 220,797</u>	<u>\$ 195,607</u>
3,304,222	3,949,187	7,253,409
<u>\$ 3,279,032</u>	<u>\$ 4,169,984</u>	<u>\$ 7,449,016</u>

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Fund Financial Statements

Balance Sheet
 Governmental Funds
 June 30, 2020

	General Fund	Pool Fund	Total
ASSETS			
Cash and cash equivalents	\$ 539,209	\$ 13,191	\$ 552,400
Receivables, net of allowance for uncollectibles:			
Taxes receivable	101,593	-	101,593
Accounts receivable	51,562	-	51,562
Due from other governmental units	54,909	-	54,909
Prepaid items	8,823	-	8,823
Restricted assets:			
Cash held for customer deposits	7,203	-	7,203
Cash held for pool renovations	-	69,484	69,484
Total assets	<u>\$ 763,299</u>	<u>\$ 82,675</u>	<u>\$ 845,974</u>
LIABILITIES			
Accounts payable	\$ 47,524	\$ 846	\$ 48,370
Accrued liabilities	65,659	110	65,769
Customers' deposits	7,203	-	7,203
Unearned revenue	243,595	-	243,595
Total liabilities	<u>\$ 363,981</u>	<u>\$ 956</u>	<u>\$ 364,937</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 100,443	\$ -	\$ 100,443
FUND BALANCES			
Nonspendable:			
Prepays	\$ 8,823	\$ -	\$ 8,823
Restricted:			
Pool capital donations	-	69,484	69,484
Committed:			
Freight Depot	114,162	-	114,162
Assigned:			
Directional Signage	23,828	-	23,828
Pool	-	12,235	12,235
Other - equipment and capital	20,140	-	20,140
Unassigned	131,922	-	131,922
Total fund balances	<u>\$ 298,875</u>	<u>\$ 81,719</u>	<u>\$ 380,594</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 763,299</u>	<u>\$ 82,675</u>	<u>\$ 845,974</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, 2020

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	380,594
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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	\$	554,744	
Land improvements		32,403	
Buildings and improvements		916,859	
Infrastructure		2,822,133	
Machinery, equipment and vehicles		<u>103,159</u>	4,429,298

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			24,181
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Deferred outflows of resources are not available to pay for current-period expenditures and,
 therefore, are not reported in the funds.

Pension related items	\$	96,381	
OPEB related items		<u>14,532</u>	110,913

Long-term liabilities, including bonds payable, are not due and payable in the
 current period and, therefore, are not reported in the funds.

Bonds	\$	(1,355,300)	
Settlement agreement		(57,000)	
Capital leases		(22,410)	
Compensated absences		(47,375)	
Net pension liability		(88,550)	
Net OPEB liability		(46,409)	
Accrued interest payable		<u>(20,031)</u>	(1,637,075)

Deferred inflows of resources are not due and payable in the current period and,
 therefore, are not reported in the funds.

Pension related items	\$	(23,475)	
OPEB related items		<u>(5,404)</u>	(28,879)

Net position of governmental activities			\$ <u><u>3,279,032</u></u>
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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, 2020

	General Fund	Pool Fund	Total
REVENUES			
General property taxes	\$ 249,568	\$ -	\$ 249,568
Other local taxes	685,422	-	685,422
Permits, privilege fees, and regulatory licenses	711	-	711
Fines and forfeitures	145,183	-	145,183
Revenue from the use of money and property	505,866	-	505,866
Charges for services	-	7,433	7,433
Miscellaneous	38,746	2,593	41,339
Intergovernmental:			
Commonwealth	115,027	-	115,027
Federal	17,963	-	17,963
Total revenues	<u>\$ 1,758,486</u>	<u>\$ 10,026</u>	<u>\$ 1,768,512</u>
EXPENDITURES			
Current:			
General government administration	\$ 364,310	\$ -	\$ 364,310
Public safety	609,294	-	609,294
Public works	495,951	-	495,951
Health and welfare	4,709	-	4,709
Parks, recreation, and cultural	50,324	29,011	79,335
Capital projects	151,793	-	151,793
Debt service:			
Principal retirement	139,250	-	139,250
Interest and other fiscal charges	53,500	-	53,500
Total expenditures	<u>\$ 1,869,131</u>	<u>\$ 29,011</u>	<u>\$ 1,898,142</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (110,645)</u>	<u>\$ (18,985)</u>	<u>\$ (129,630)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 31,220	\$ 31,220
Transfers out	(31,220)	-	(31,220)
Total other financing sources (uses)	<u>\$ (31,220)</u>	<u>\$ 31,220</u>	<u>\$ -</u>
Net change in fund balances	\$ (141,865)	\$ 12,235	\$ (129,630)
Fund balances - beginning, as restated	440,740	69,484	510,224
Fund balances - ending	<u>\$ 298,875</u>	<u>\$ 81,719</u>	<u>\$ 380,594</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, 2020

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

Net change in fund balances - total governmental funds \$ (129,630)

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	\$ 100,044	
Depreciation	(150,707)	(50,663)

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. 9,777

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.

Settlement agreement annual payment	\$ 9,500	
Payment of principal	129,750	
Amortization of premium on issuance	4,343	143,593

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	\$ 3,941	
Change in pension related items	(6,199)	
Change in OPEB related items	2,420	
Accrued interest payable	1,571	1,733

Change in net position of governmental activities \$ (25,190)

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

Statement of Net Position
 Proprietary Funds
 June 30, 2020

	Enterprise Funds		
	Water and Sewer Fund	Airport Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,938,838	\$ 68,419	\$ 2,007,257
Accounts receivable, net of allowance for uncollectibles	143,589	-	143,589
Due from other governmental units	-	5,531	5,531
Prepaid expenses	1,440	-	1,440
Total current assets	<u>\$ 2,083,867</u>	<u>\$ 73,950</u>	<u>\$ 2,157,817</u>
Noncurrent assets:			
Restricted assets:			
Cash held for customer deposits	\$ 37,942	\$ -	\$ 37,942
Total restricted assets	<u>\$ 37,942</u>	<u>\$ -</u>	<u>\$ 37,942</u>
Capital assets:			
Land	\$ 204,978	\$ 1,548	\$ 206,526
Construction in progress	25,584	156,535	182,119
Buildings and improvements, net of accumulated depreciation	733,902	-	733,902
Infrastructure, net of accumulated depreciation	1,160,957	109,948	1,270,905
Machinery, equipment, and vehicles net of accumulated depreciation	67,760	-	67,760
Total capital assets	<u>\$ 2,193,181</u>	<u>\$ 268,031</u>	<u>\$ 2,461,212</u>
Total noncurrent assets	<u>\$ 2,231,123</u>	<u>\$ 268,031</u>	<u>\$ 2,499,154</u>
Total assets	<u>\$ 4,314,990</u>	<u>\$ 341,981</u>	<u>\$ 4,656,971</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 27,908	\$ -	\$ 27,908
OPEB related items	2,746	-	2,746
Total deferred outflows of resources	<u>\$ 30,654</u>	<u>\$ -</u>	<u>\$ 30,654</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 15,541	\$ 3,185	\$ 18,726
Contracts payable	-	2,406	2,406
Accrued liabilities	12,286	-	12,286
Customers' deposits payable from restricted assets	37,942	-	37,942
Accrued interest payable	5,339	-	5,339
Compensated absences - current portion	504	-	504
Bonds and notes payable - current portion	59,029	-	59,029
Total current liabilities	<u>\$ 130,641</u>	<u>\$ 5,591</u>	<u>\$ 136,232</u>
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 4,539	\$ -	\$ 4,539
Bonds and notes payable - net of current portion	323,536	-	323,536
Net pension liability	23,666	-	23,666
Net OPEB liability	12,336	-	12,336
Total noncurrent liabilities	<u>\$ 364,077</u>	<u>\$ -</u>	<u>\$ 364,077</u>
Total liabilities	<u>\$ 494,718</u>	<u>\$ 5,591</u>	<u>\$ 500,309</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 11,095	\$ -	\$ 11,095
OPEB related items	6,237	-	6,237
Total deferred inflows of resources	<u>\$ 17,332</u>	<u>\$ -</u>	<u>\$ 17,332</u>
NET POSITION			
Net investment in capital assets	\$ 1,810,616	\$ 265,625	\$ 2,076,241
Unrestricted	2,022,978	70,765	2,093,743
Total net position	<u>\$ 3,833,594</u>	<u>\$ 336,390</u>	<u>\$ 4,169,984</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, 2020

	Enterprise Funds		
	Water and Sewer Fund	Airport Fund	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 908,096	\$ -	\$ 908,096
Sewer revenues	393,110	-	393,110
Delinquent fees	9,521	-	9,521
Cut on and cut off fees	7,770	-	7,770
Hangar rentals	-	34,705	34,705
Miscellaneous	350	-	350
Total operating revenues	<u>\$ 1,318,847</u>	<u>\$ 34,705</u>	<u>\$ 1,353,552</u>
OPERATING EXPENSES			
Water and water tests	\$ 461,381	\$ -	\$ 461,381
Sewer	258,892	-	258,892
Salaries, wages, and benefits	253,786	-	253,786
Repairs and maintenance	69,623	8,591	78,214
Materials and supplies	16,512	78	16,590
Professional services	23,483	5,855	29,338
Telephone and utilities	8,994	2,539	11,533
Vehicle expenses	21,303	-	21,303
Other operating expenses	25,340	121	25,461
Depreciation	121,493	4,250	125,743
Total operating expenses	<u>\$ 1,260,807</u>	<u>\$ 21,434</u>	<u>\$ 1,282,241</u>
Operating income (loss)	<u>\$ 58,040</u>	<u>\$ 13,271</u>	<u>\$ 71,311</u>
NONOPERATING REVENUES (EXPENSES)			
Use of property	\$ 79,213	\$ -	\$ 79,213
Interest expense	(12,261)	-	(12,261)
Total nonoperating revenues (expenses)	<u>\$ 66,952</u>	<u>\$ -</u>	<u>\$ 66,952</u>
Income before capital contributions	\$ 124,992	\$ 13,271	\$ 138,263
Capital contributions	-	82,534	82,534
Change in net position	<u>\$ 124,992</u>	<u>\$ 95,805</u>	<u>\$ 220,797</u>
Total net position - beginning	3,708,602	240,585	3,949,187
Total net position - ending	<u>\$ 3,833,594</u>	<u>\$ 336,390</u>	<u>\$ 4,169,984</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, 2020

	Enterprise Funds		
	Water and Sewer Fund	Airport Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,366,256	\$ 33,513	\$ 1,399,769
Payments to suppliers	(894,827)	(14,019)	(908,846)
Payments to employees	(286,486)	-	(286,486)
Net cash provided by (used for) operating activities	\$ 184,943	\$ 19,494	\$ 204,437
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Use of property	\$ 79,213	\$ -	\$ 79,213
Net cash provided by (used for) noncapital financing activities	\$ 79,213	\$ -	\$ 79,213
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to CIP and machinery and equipment	\$ (95,205)	\$ (124,282)	\$ (219,487)
Principal payments on bonds	(53,380)	-	(53,380)
Contributions in aid of construction	-	102,850	102,850
Interest payments	(16,610)	-	(16,610)
Net cash provided by (used for) capital and related financing activities	\$ (165,195)	\$ (21,432)	\$ (186,627)
Net increase (decrease) in cash and cash equivalents	\$ 98,961	\$ (1,938)	\$ 97,023
Cash and cash equivalents - beginning (including restricted)	1,877,819	70,357	1,948,176
Cash and cash equivalents - ending (including restricted)	\$ 1,976,780	\$ 68,419	\$ 2,045,199
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 58,040	\$ 13,271	\$ 71,311
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	\$ 121,493	\$ 4,250	\$ 125,743
(Increase) decrease in:			
Accounts receivable	45,884	-	45,884
Intergovernmental receivables	-	(1,192)	(1,192)
Prepaid expenses	(836)	-	(836)
Pension related deferred outflows	(1,052)	-	(1,052)
OPEB related deferred outflows	(1,101)	-	(1,101)
Increase (decrease) in:			
Customer deposits	1,525	-	1,525
Accounts payable	(8,463)	3,165	(5,298)
Accrued liabilities	(30,400)	-	(30,400)
Compensated absences	(879)	-	(879)
Net pension liability	(3,067)	-	(3,067)
Net OPEB liability	(3,324)	-	(3,324)
Pension related deferred inflows	3,496	-	3,496
OPEB related deferred inflows	3,627	-	3,627
Total adjustments	\$ 126,903	\$ 6,223	\$ 133,126
Net cash provided by (used for) operating activities	\$ 184,943	\$ 19,494	\$ 204,437

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

Statement of Fiduciary Net Position
 Fiduciary Fund
 June 30, 2020

	<u>Private-Purpose Trust Fund Maplewood Cemetery</u>
ASSETS	
Cash and cash equivalents	\$ 445,165
Other receivables	3,647
Investments, at fair value:	
Corporate stock	14,230
Total assets	<u>\$ 463,042</u>
NET POSITION	
Held in trust for Maplewood Cemetery	<u>\$ 463,042</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, 2020

	<u>Private-Purpose Trust Fund Maplewood Cemetery</u>
ADDITIONS	
Contributions:	
Sale of cemetery lots	\$ 17,000
Burial permits	3,200
Fees	200
Donations	3,480
Other	600
Total contributions	<u>\$ 24,480</u>
Investment earnings:	
Interest	\$ 5,930
Gain (loss) on investments	1,975
Total investment earnings	<u>\$ 7,905</u>
Total additions	<u>\$ 32,385</u>
DEDUCTIONS	
Professional and contractual services	\$ 24,676
Other	1,209
Confederate	1,073
Total deductions	<u>\$ 26,958</u>
Change in net position	\$ 5,427
Net position - beginning	457,615
Net position - ending	<u><u>\$ 463,042</u></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, 2020

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, 2020 (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.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

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

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 when they have been earned and 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 principal and interest expenditures on general long-term debt as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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.

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

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 adjustments 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 2020.

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.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

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

1. *Governmental Funds: (Continued)*

- 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.

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.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

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.
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, 2020.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

E. Expenditures and Appropriations

Expenditures exceeded appropriations in the following departments of the general fund at June 30, 2020:

<u>Department</u>	<u>Overspent</u>
Tax Relief for the Elderly	\$ 509
Debt Service	59,330

F. Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as demand deposits and 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

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

The Town's investments at June 30, 2020 consisted of amounts invested in the Local Government Investment Pool. The fiduciary fund has an investment in corporate stock and investments in the Local Government Investment Pool.

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 \$12,079 and \$40,750, respectively at June 30, 2020.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (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, 2020 (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.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

Q. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable 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 included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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.

R. 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 that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance - amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Town Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Council adopts another ordinance to remove or revise the limitation;

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

R. Fund Balance: (Continued)

- Assigned fund balance - amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments general only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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 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.

S. 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, 2019.

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 June 15, 2021.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

S. Upcoming Pronouncements: (Continued)

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, 2020.

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.

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 that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), 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, 2020 were held in the Town’s name by the Town’s custodial bank.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities

The Town has no investment policy.

The Town's rated debt investments as of June 30, 2020 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.

Rated Debt Investments	Ratings
	<u>AAAm</u>
Local Government Investment Pool	\$ <u>2,382,498</u>
Total	\$ <u><u>2,382,498</u></u>

Interest Rate Risk

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

Investment Maturities (in years)		
Investment Type	Value	Less Than 1 Year
Local Government Investment Pool	\$ <u>2,382,498</u>	\$ <u>2,382,498</u>
Total	\$ <u><u>2,382,498</u></u>	\$ <u><u>2,382,498</u></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, 2020 (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, 2020:

Investment type	6/30/2020	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	\$ 14,230	\$ 14,230	\$ -	\$ -
Total	\$ 14,230	\$ 14,230	\$ -	\$ -

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 2020 were \$.13, \$.99, and \$.24 per \$100 of real estate, personal property, and machinery and tools assessed valuation, respectively. The tax rate for the first half of real estate for tax year 2020 was reduced to \$.117.

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, 2020 (Continued)

NOTE 5—ACCOUNTS RECEIVABLE:

Accounts receivable are detailed as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Property taxes	\$ 113,672	\$ -
Meals taxes	43,144	-
Consumer utility taxes	2,195	-
Consumption taxes	383	-
Trash fee	3,999	-
Utility taxes	1,827	-
Other	14	184,339
	<u>165,234</u>	<u>184,339</u>
Total	\$ 165,234	\$ 184,339
Allowance for uncollectibles	(12,079)	(40,750)
	<u>153,155</u>	<u>143,589</u>
Net receivables	\$ 153,155	\$ 143,589

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	\$ 4,142	\$ -	\$ 4,142
TEA-21 VDOT grant	9,588	-	9,588
Airport grant	-	5,531	5,531
Other	4	-	4
County of Orange, Virginia:			
Local sales taxes	27,556	-	27,556
COVID-19 Coronavirus Relief Funds (CRF)	10,362	-	10,362
Circuit Court of Orange County, Virginia:			
Court fines	3,257	-	3,257
Total	\$ 54,909	\$ 5,531	\$ 60,440

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 7—CAPITAL ASSETS:

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

	<u>Balance July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 525,061	\$ 29,683	\$ -	\$ 554,744
Construction in progress	<u>275,977</u>	<u>39,812</u>	<u>315,789</u>	<u>-</u>
Total capital assets not being depreciated	<u>\$ 801,038</u>	<u>\$ 69,495</u>	<u>\$ 315,789</u>	<u>\$ 554,744</u>
Other capital assets:				
Land improvements	\$ 124,591	\$ 16,799	\$ -	\$ 141,390
Buildings and improvements	1,165,401	315,789	-	1,481,190
Infrastructure	3,119,877	-	-	3,119,877
Machinery, equipment and vehicles	<u>399,983</u>	<u>13,750</u>	<u>-</u>	<u>413,733</u>
Total other capital assets	<u>\$ 4,809,852</u>	<u>\$ 346,338</u>	<u>\$ -</u>	<u>\$ 5,156,190</u>
Accumulated depreciation:				
Land improvements	\$ 105,834	\$ 3,153	\$ -	\$ 108,987
Buildings and improvements	531,489	32,842	-	564,331
Infrastructure	219,747	77,997	-	297,744
Machinery, equipment and vehicles	<u>273,859</u>	<u>36,715</u>	<u>-</u>	<u>310,574</u>
Total accumulated depreciation	<u>\$ 1,130,929</u>	<u>\$ 150,707</u>	<u>\$ -</u>	<u>\$ 1,281,636</u>
Other capital assets, net	<u>\$ 3,678,923</u>	<u>\$ 195,631</u>	<u>\$ -</u>	<u>\$ 3,874,554</u>
Net capital assets	<u>\$ 4,479,961</u>	<u>\$ 265,126</u>	<u>\$ 315,789</u>	<u>\$ 4,429,298</u>
Depreciation is allocated to:				
General government administration		\$ 103,573		
Public safety		20,794		
Public works		21,352		
Parks, Recreation, and Cultural		<u>4,988</u>		
Total		<u>\$ 150,707</u>		

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Business-type Activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 204,978	\$ -	\$ -	\$ 204,978
Construction in progress	324,079	63,911	362,406	25,584
Total capital assets not being depreciated	\$ 529,057	\$ 63,911	\$ 362,406	\$ 230,562
Other capital assets:				
Buildings and improvements	\$ 790,876	\$ 362,406	\$ -	\$ 1,153,282
Infrastructure	2,958,885	-	-	2,958,885
Machinery, equipment and vehicles	329,393	31,294	-	360,687
Total other capital assets	\$ 4,079,154	\$ 393,700	\$ -	\$ 4,472,854
Accumulated depreciation:				
Buildings and improvements	\$ 398,010	\$ 21,370	\$ -	\$ 419,380
Infrastructure	1,724,215	73,713	-	1,797,928
Machinery, equipment and vehicles	266,517	26,410	-	292,927
Total accumulated depreciation	\$ 2,388,742	\$ 121,493	\$ -	\$ 2,510,235
Other capital assets, net	\$ 1,690,412	\$ 272,207	\$ -	\$ 1,962,619
Net capital assets	\$ 2,219,469	\$ 336,118	\$ 362,406	\$ 2,193,181
Depreciation is allocated to:				
Water and sewer operations		\$ 121,493		

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Business-type Activities:				
Airport Fund				
Capital assets not being depreciated:				
Land	\$ 1,548	\$ -	\$ -	\$ 1,548
Construction in progress	60,665	95,870	-	156,535
	<u>62,213</u>	<u>95,870</u>	<u>-</u>	<u>158,083</u>
Total capital assets not being depreciated	\$ 62,213	\$ 95,870	\$ -	\$ 158,083
Other capital assets:				
Infrastructure	\$ 169,988	\$ -	\$ -	\$ 169,988
Total other capital assets	\$ 169,988	\$ -	\$ -	\$ 169,988
Accumulated depreciation:				
Infrastructure	\$ 55,790	\$ 4,250	\$ -	\$ 60,040
Total accumulated depreciation	\$ 55,790	\$ 4,250	\$ -	\$ 60,040
Other capital assets, net	\$ 114,198	\$ (4,250)	\$ -	\$ 109,948
Net capital assets	<u>\$ 176,411</u>	<u>\$ 91,620</u>	<u>\$ -</u>	<u>\$ 268,031</u>
Depreciation is allocated to:				
Airport operations		<u>\$ 4,250</u>		

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (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.	\$ -	\$ 24,181
2nd half assessments due after June 30	69,836	69,836
Prepaid property taxes due after June 30 but paid in advance by taxpayers	6,426	6,426
Total deferred/unavailable revenue	<u>\$ 76,262</u>	<u>\$ 100,443</u>
Unearned revenue:		
Land lease	<u>\$ 243,595</u>	<u>\$ 243,595</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 \$47,375 in governmental activities (funded by the General Fund) and \$5,043 in the Water and Sewer Fund.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 10—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligations of the Town for the year ended June 30, 2020.

	<u>Balance</u> <u>July 1, 2019</u>	<u>Issuances/</u> <u>Increases</u>	<u>Retirements/</u> <u>Decreases</u>	<u>Balance</u> <u>June 30, 2020</u>
Long-term liabilities payable from governmental activities:				
Direct borrowing and placements:				
VRA Bond	\$ 205,200	\$ -	\$ 45,900	\$ 159,300
GO Bonds	1,260,182	-	70,320	1,189,862
Premium on Bond	10,481	-	4,343	6,138
Settlement Agreement - Orange County	66,500	-	9,500	57,000
Capital leases	35,940	-	13,530	22,410
Net pension liability	54,512	202,424	168,386	88,550
Net OPEB liability	38,340	14,617	6,548	46,409
Compensated absences	51,316	-	3,941	47,375
	<u>\$ 1,722,471</u>	<u>\$ 217,041</u>	<u>\$ 322,468</u>	<u>\$ 1,617,044</u>
Long-term liabilities payable from business-type activities:				
Direct borrowing and placements:				
VRA Bond	\$ 174,800	\$ -	\$ 39,100	\$ 135,700
GO Bonds	255,916	-	14,280	241,636
Premium on Bond	8,930	-	3,701	5,229
Net pension liability	26,733	51,534	54,601	23,666
Net OPEB liability	15,660	3,886	7,210	12,336
Compensated absences	5,922	-	879	5,043
	<u>\$ 487,961</u>	<u>\$ 55,420</u>	<u>\$ 119,771</u>	<u>\$ 423,610</u>
	<u>\$ 2,210,432</u>	<u>\$ 272,461</u>	<u>\$ 442,239</u>	<u>\$ 2,040,654</u>
Reconciliation to Exhibit 1:				
Long-term liabilities:				
Due within one year				\$ 206,054
Due in more than one year				<u>1,834,600</u>
				<u>\$ 2,040,654</u>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (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 2011B \$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
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	-	-	101,400	36,846	101,400	36,846	9,500	-
2026-2030	-	-	566,300	124,911	566,300	124,911	9,500	-
2031-2032	-	-	392,998	21,887	392,998	21,887	-	-
Totals	\$ 295,000	\$ 23,147	\$ 1,431,498	\$ 365,999	\$ 1,726,498	\$ 389,146	\$ 57,000	-

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

Year Ended June 30,	ID Record Software \$42,000	
	Principal	Interest
2021	\$ 7,470	\$ -
2022	7,470	-
2023	7,470	-
Totals	\$ 22,410	\$ -

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (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.	\$ <u>159,300</u>	\$ <u>48,600</u>
Premium on Issuance	\$ <u>6,138</u>	\$ <u>3,317</u>
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.	\$ <u>1,189,862</u>	\$ <u>72,896</u>
Total direct borrowings and placements (bonds payable)	\$ <u>1,355,300</u>	\$ <u>124,813</u>
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.	\$ <u>57,000</u>	\$ <u>9,500</u>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (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 lease:		
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 \$11,921 at June 30, 2020.	\$ 22,410	\$ 7,470
Net pension liability	\$ 88,550	\$ -
Net OPEB liability	\$ 46,409	\$ -
Compensated absences	\$ 47,375	\$ 4,738
Total long-term obligations from governmental activities	<u>\$ 1,617,044</u>	<u>\$ 146,521</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.	\$ 135,700	\$ 41,400
Payments on the 2018 bonds described above are allocated 17% to the water and sewer fund.	\$ 241,636	\$ 14,804
Total direct borrowings and placements (bonds payable)	<u>\$ 377,336</u>	<u>\$ 56,204</u>
Premium on Issuance	\$ 5,229	\$ 2,825
Net pension liability	\$ 23,666	\$ -
Net OPEB liability	\$ 12,336	\$ -
Compensated absences	\$ 5,043	\$ 504
Total long-term obligations from business-type activities	<u>\$ 423,610</u>	<u>\$ 59,533</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, 2020 (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, 2020, rent and miscellaneous charges totaled \$410,500.

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.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 11—LEASE AND RELATED AGREEMENTS:

Water Agreements: (Continued)

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.

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 service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. 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 service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- 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 service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

Benefit Structures: (Continued)

- 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 service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

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 service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% 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 1.70% 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 service credit 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 service credit 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.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2018 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:	
Non-vested inactive members	8
Inactive members active elsewhere in VRS	<u>15</u>
Total inactive members	23
Active members	<u>15</u>
Total covered employees	<u><u>44</u></u>

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2020 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 \$67,114 and \$67,988 for the years ended June 30, 2020 and June 30, 2019, 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, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

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

Mortality rates:

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.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

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

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2019 on, participating

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

Discount Rate (Continued)

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, 2018	\$ 1,498,848	\$ 1,417,603	\$ 81,245
Changes for the year:			
Service cost	\$ 85,856	\$ -	\$ 85,856
Interest	102,881	-	102,881
Changes of assumptions	54,676	-	54,676
Differences between expected and actual experience	(13,709)	-	(13,709)
Contributions - employer	-	67,996	(67,996)
Contributions - employee	-	34,286	(34,286)
Net investment income	-	97,396	(97,396)
Benefit payments, including refunds of employee contributions	(58,230)	(58,230)	-
Administrative expenses	-	(883)	883
Other changes	-	(62)	62
Net changes	<u>\$ 171,474</u>	<u>\$ 140,503</u>	<u>\$ 30,971</u>
Balances at June 30, 2019	<u>\$ 1,670,322</u>	<u>\$ 1,558,106</u>	<u>\$ 112,216</u>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town's Net Pension Liability (Asset)	\$ 361,424	\$ 112,216	\$ (84,247)

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

For the year ended June 30, 2020, the Town recognized pension expense of \$72,697. At June 30, 2020, 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	\$ 15,954	\$ 14,978
Changes of assumptions	37,152	2,683
Net difference between projected and actual earnings on pension plan investments	-	12,840
Changes in proportion	4,069	4,069
Employer contributions subsequent to the measurement date	67,114	-
Total	\$ 124,289	\$ 34,570

\$67,114 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2021	\$ 15,728
2022	5,028
2023	1,180
2024	669
Thereafter	-

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-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) Plan

Plan Description

The Group Life Insurance (GLI) Plan 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 Plan 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 Plan. 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 plan, it is not included as part of the GLI Plan OPEB.

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

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. 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 Plan 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 plan 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 service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Plan (Continued)

Contributions

The contribution requirements for the GLI Plan 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 Plan 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, 2020 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 Plan from the entity were \$3,661 and \$3,674 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the entity reported a liability of \$58,745 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. 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 Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was .00361% as compared to .00352% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$686. 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.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Plan: (Continued)

At June 30, 2020, 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	\$ 3,907	\$ 762
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,207
Change in assumptions	3,709	1,771
Changes in proportion	6,001	7,901
Employer contributions subsequent to the measurement date	<u>3,661</u>	<u>-</u>
Total	<u>\$ 17,278</u>	<u>\$ 11,641</u>

\$3,661 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, 2021. 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>	
2021	\$ (464)
2022	(464)
2023	48
2024	1,009
2025	1,434
Thereafter	413

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Plan: (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

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.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Plan: (Continued)

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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, 2020 (Continued)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Plan: (Continued)

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows.

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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’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, 2019, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
		<hr/>
Total GLI OPEB Liability	\$	3,390,238
Plan Fiduciary Net Position		1,762,972
GLI Net OPEB Liability (Asset)	\$	<hr/> <hr/> 1,627,266
 Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		 52.00%

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, 2020 (Continued)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Plan: (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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Plan: (Continued)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. 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, 2019, 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, 2019 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.

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town's proportionate share of the GLI Plan Net OPEB Liability	\$ 77,174	\$ 58,745	\$ 43,799

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-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.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Line of Duty Act (LODA): (Continued)

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, 2020 was \$8,355.

NOTE 14—CONTINGENT LIABILITIES:

At June 30, 2020 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 Runway Rehabilitation	\$ 149,432	\$	134,660	\$	14,772
Freight Depot Rehab	47,110		37,551		9,559
Total	<u>\$ 196,542</u>	\$	<u>172,211</u>	\$	<u>24,331</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.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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 \$11,471 during fiscal year 2020 pursuant to the agreement.

NOTE 18—INTERFUND TRANSFERS:

The Town made interfund transfers of \$31,220 from the general fund to the pool fund during the year to support pool operations.

NOTE 19—RESTATEMENT OF FUND BALANCE:

The Town restated fund balance in the general and pool funds as follows:

	<u>General Fund</u>	<u>Pool Fund</u>
Fund Balance as reported at June 30, 2019	\$ 520,563	\$ (10,339)
Transfer of previously budgeted operating transfers	<u>(79,823)</u>	<u>79,823</u>
Fund Balance as restated at July 1, 2019	<u>\$ 440,740</u>	<u>\$ 69,484</u>

NOTE 20—SUBSEQUENT EVENTS:

COVID-19 Pandemic and CARES Funding

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic. Among the CARES Act key provisions was \$339.8 billion designated for programs for state and local government, which included \$150 billion in direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF), pursuant to the federal CARES Act, to address spending shortages related to the COVID-19 pandemic.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 20—SUBSEQUENT EVENTS: (CONTINUED)

COVID-19 Pandemic and CARES Funding: (Continued)

The Commonwealth of Virginia received approximately \$3.1 billion from the CRF, of which \$1.3 billion was allocated for localities with fewer than 500,000 people. Localities with populations greater than 500,000 could apply to receive funds directly. All other CRF funds were distributed to the states to determine the allocations to localities.

On May 12, 2020, the first round of the allocations to local governments was authorized by the Commonwealth. On June 1, 2020, each locality received its share of the first half, or fifty (50) percent, of the locally based allocations. The Town's share of CARES funds was allocated from the County of Orange, Virginia. Like the first round, the second round of allocations was based on population and was for the same total amount distributed in the first round. The Town received their share of CRF funds in the amount of \$140,030 for each round from the County on August 10, 2020 and September 21, 2020. On November 12, 2020, \$45,000 was returned to the County to provide assistance to Town citizens through the Orange County Department of Social Services. A total of \$83,997 has been spent to date leaving a balance of \$151,063 in funds on hand.

The federal guidance for the CARES Act states that the CRF funds can be used only for the direct costs associated with the response to the COVID-19 pandemic and cannot be used to address revenue shortfalls. CRF funds are considered one-time funds and should not be used for ongoing services or base operations. As a condition of receiving CRF funds, any funds unexpended as of December 30, 2020 were to be returned to the federal government. In December 2020, legislation was passed that extended this spending deadline to December 31, 2021.

The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. Town of Gordonsville, Virginia is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

Other Subsequent Events

On August 4, 2020, the Town signed a contract in the amount of \$314,928 for completion of the exterior renovation of the Freight Depot. This project will be partially funded by a VDOT grant in the amount of \$227,000.

On September 21, 2020, the Town accepted a bid of \$1,510,010 for construction of the Runway 5-23 Rehab Project at the Airport, pending the award of state grant funding for the project.

On November 17, 2020, Council adopted a resolution to increase the water rates.

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Required Supplementary Information

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 244,900	\$ 244,900	\$ 249,568	\$ 4,668
Other local taxes	690,200	695,937	685,422	(10,515)
Permits, privilege fees, and regulatory licenses	600	600	711	111
Fines and forfeitures	141,000	141,000	145,183	4,183
Revenue from the use of money and property	524,300	524,300	505,866	(18,434)
Miscellaneous	45,900	45,900	38,746	(7,154)
Intergovernmental:				
Commonwealth	117,200	117,200	115,027	(2,173)
Federal	140,000	389,888	17,963	(371,925)
Total revenues	\$ 1,904,100	\$ 2,159,725	\$ 1,758,486	\$ (401,239)
EXPENDITURES				
Current:				
General government administration	\$ 399,330	\$ 420,288	\$ 364,310	\$ 55,978
Public safety	606,780	666,280	609,294	56,986
Public works	456,250	504,755	495,951	8,804
Health and welfare	4,200	4,200	4,709	(509)
Parks, recreation, and cultural	56,450	61,399	50,324	11,075
Community development	1,200	1,200	-	1,200
Capital projects	215,250	605,432	151,793	453,639
Debt service:				
Principal retirement	97,700	97,700	139,250	(41,550)
Interest and other fiscal charges	35,720	35,720	53,500	(17,780)
Total expenditures	\$ 1,872,880	\$ 2,396,974	\$ 1,869,131	\$ 527,843
Excess (deficiency) of revenues over (under) expenditures	\$ 31,220	\$ (237,249)	\$ (110,645)	\$ 126,604
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (31,220)	\$ (31,220)	\$ (31,220)	\$ -
Total other financing sources (uses)	\$ (31,220)	\$ (31,220)	\$ (31,220)	\$ -
Net change in fund balances	\$ -	\$ (268,469)	\$ (141,865)	\$ 126,604
Fund balances - beginning, as restated	-	254,448	440,740	186,292
Fund balances - ending	\$ -	\$ (14,021)	\$ 298,875	\$ 312,896

Pool Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 16,200	\$ 16,200	\$ 7,433	\$ (8,767)
Miscellaneous	3,700	3,700	2,593	(1,107)
Total revenues	<u>\$ 19,900</u>	<u>\$ 19,900</u>	<u>\$ 10,026</u>	<u>\$ (9,874)</u>
EXPENDITURES				
Current:				
Parks, recreation, and cultural	\$ 51,120	\$ 51,120	\$ 29,011	\$ 22,109
Total expenditures	<u>\$ 51,120</u>	<u>\$ 51,120</u>	<u>\$ 29,011</u>	<u>\$ 22,109</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (31,220)</u>	<u>\$ (31,220)</u>	<u>\$ (18,985)</u>	<u>\$ 12,235</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 31,220	\$ 31,220	\$ 31,220	\$ -
Total other financing sources (uses)	<u>\$ 31,220</u>	<u>\$ 31,220</u>	<u>\$ 31,220</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ 12,235	\$ 12,235
Fund balances - beginning, as restated	-	-	69,484	69,484
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,719</u>	<u>\$ 81,719</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, 2019

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 85,856	\$ 92,413	\$ 86,025	\$ 88,347	\$ 69,845	\$ 73,034
Interest	102,881	92,717	89,159	77,652	71,368	64,493
Changes in benefit terms	-	-	-	50,110	-	-
Changes of assumptions	54,676	-	(13,270)	-	-	-
Differences between expected and actual experience	(13,709)	24,279	(28,010)	25,841	197	-
Benefit payments	(58,230)	(70,183)	(95,952)	(59,202)	(44,053)	(34,594)
Net change in total pension liability	\$ 171,474	\$ 139,226	\$ 37,952	\$ 182,748	\$ 97,357	\$ 102,933
Total pension liability - beginning	1,498,848	1,359,622	1,321,670	1,138,922	1,041,565	938,632
Total pension liability - ending (a)	\$ 1,670,322	\$ 1,498,848	\$ 1,359,622	\$ 1,321,670	\$ 1,138,922	\$ 1,041,565
Plan fiduciary net position						
Contributions - employer	\$ 67,996	\$ 57,578	\$ 56,233	\$ 70,801	\$ 46,261	\$ 54,881
Contributions - employee	34,286	32,502	31,436	34,569	32,323	30,927
Net investment income	97,396	97,096	140,641	22,237	48,238	135,910
Benefit payments	(58,230)	(70,183)	(95,952)	(59,202)	(44,053)	(34,594)
Administrator charges	(883)	(806)	(797)	(643)	(613)	(682)
Other	(62)	(88)	(127)	(9)	(9)	7
Net change in plan fiduciary net position	\$ 140,503	\$ 116,099	\$ 131,434	\$ 67,753	\$ 82,147	\$ 186,449
Plan fiduciary net position - beginning	1,417,603	1,301,504	1,170,070	1,102,317	1,020,170	833,721
Plan fiduciary net position - ending (b)	\$ 1,558,106	\$ 1,417,603	\$ 1,301,504	\$ 1,170,070	\$ 1,102,317	\$ 1,020,170
Town's net pension liability - ending (a) - (b)	\$ 112,216	\$ 81,245	\$ 58,118	\$ 151,600	\$ 36,605	\$ 21,395
Plan fiduciary net position as a percentage of the total pension liability	93.28%	94.58%	95.73%	88.53%	96.79%	97.95%
Covered payroll	\$ 706,527	\$ 669,139	\$ 651,297	\$ 698,070	\$ 646,575	\$ 620,712
Town's net pension liability as a percentage of covered payroll	15.88%	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, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	\$ 67,114	\$ 67,114	\$ -	\$ 703,957	9.53%
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%

Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2020

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 actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Town's Share of Net OPEB Liability - Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through 2019

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)
2019	0.00361%	\$ 58,745	\$ 706,527	8.31%	52.00%
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 (GLI) Plan
 For the Years Ended June 30, 2011 through June 30, 2020

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)		
2020	\$ 3,661	\$ 3,661	\$ -	\$ 703,957	0.52%
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%

Notes to Required Supplementary Information - Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2020

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 actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Other Supplementary Information

Supporting Schedules

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

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	\$ 141,500	\$ 141,500	\$ 147,955	\$ 6,455
Real and personal public service corporation taxes	5,600	5,600	4,972	(628)
Personal property taxes	78,600	78,600	67,590	(11,010)
Mobile home taxes	-	-	109	109
Machinery and tools taxes	9,000	9,000	13,039	4,039
Penalties	4,000	4,000	5,443	1,443
Interest and other fees	6,200	6,200	10,460	4,260
Total general property taxes	<u>\$ 244,900</u>	<u>\$ 244,900</u>	<u>\$ 249,568</u>	<u>\$ 4,668</u>
Other local taxes:				
Local sales and use taxes	\$ 90,500	\$ 90,500	\$ 99,494	\$ 8,994
Consumers' utility taxes	31,200	31,200	31,714	514
Cigarette taxes	30,000	30,000	42,000	12,000
Business license taxes	97,500	97,500	103,437	5,937
Motor vehicle licenses	35,000	35,000	34,593	(407)
Bank stock taxes	5,000	5,000	5,249	249
Refund of bank stock taxes	-	(9,463)	(9,463)	-
Cable franchise taxes	1,000	1,000	1,595	595
Restaurant food taxes	400,000	400,000	365,688	(34,312)
Water tax	-	15,200	11,115	(4,085)
Total other local taxes	<u>\$ 690,200</u>	<u>\$ 695,937</u>	<u>\$ 685,422</u>	<u>\$ (10,515)</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 600	\$ 600	\$ 711	\$ 111
Total permits, privilege fees, and regulatory licenses	<u>\$ 600</u>	<u>\$ 600</u>	<u>\$ 711</u>	<u>\$ 111</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 141,000	\$ 141,000	\$ 145,183	\$ 4,183
Total fines and forfeitures	<u>\$ 141,000</u>	<u>\$ 141,000</u>	<u>\$ 145,183</u>	<u>\$ 4,183</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 20,000	\$ 20,000	\$ 29,766	\$ 9,766
Revenue from use of property	504,300	504,300	476,100	(28,200)
Total revenue from use of money and property	<u>\$ 524,300</u>	<u>\$ 524,300</u>	<u>\$ 505,866</u>	<u>\$ (18,434)</u>
Miscellaneous:				
Miscellaneous	\$ 45,900	\$ 45,900	\$ 38,746	\$ (7,154)
Total revenue from local sources	<u>\$ 1,646,900</u>	<u>\$ 1,652,637</u>	<u>\$ 1,625,496</u>	<u>\$ (27,141)</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2020 (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	\$ 997	\$ (3)
Communication taxes	27,500	27,500	25,245	(2,255)
Personal property tax relief funds	33,700	33,700	33,719	19
Total noncategorical aid	<u>\$ 62,200</u>	<u>\$ 62,200</u>	<u>\$ 59,961</u>	<u>\$ (2,239)</u>
Categorical aid:				
Other categorical aid:				
599 Funding	\$ 41,000	\$ 41,000	\$ 41,760	\$ 760
Litter control grant	4,000	4,000	3,306	(694)
Fire programs fund	10,000	10,000	10,000	-
Total other categorical aid	<u>\$ 55,000</u>	<u>\$ 55,000</u>	<u>\$ 55,066</u>	<u>\$ 66</u>
Total revenue from the Commonwealth	<u>\$ 117,200</u>	<u>\$ 117,200</u>	<u>\$ 115,027</u>	<u>\$ (2,173)</u>
Revenue from the federal government:				
Categorical aid:				
TEA-21 Depot Grant	\$ 140,000	\$ 389,888	\$ 7,601	\$ (382,287)
Coronavirus Relief Funds	-	-	10,362	10,362
Total categorical aid	<u>\$ 140,000</u>	<u>\$ 389,888</u>	<u>\$ 17,963</u>	<u>\$ (371,925)</u>
Total revenue from the federal government	<u>\$ 140,000</u>	<u>\$ 389,888</u>	<u>\$ 17,963</u>	<u>\$ (371,925)</u>
Total General Fund	<u><u>\$ 1,904,100</u></u>	<u><u>\$ 2,159,725</u></u>	<u><u>\$ 1,758,486</u></u>	<u><u>\$ (401,239)</u></u>
Special Revenue Fund:				
Pool Fund:				
Revenue from local sources:				
Charges for services:				
Charges for open swim	\$ 9,000	\$ 9,000	\$ 5,633	\$ (3,367)
Charges for swim lessons	3,500	3,500	-	(3,500)
Charges for lifeguard certification	800	800	-	(800)
Charges for concessions	2,500	2,500	1,605	(895)
Charges for private rentals	400	400	195	(205)
Total charges for services	<u>\$ 16,200</u>	<u>\$ 16,200</u>	<u>\$ 7,433</u>	<u>\$ (8,767)</u>
Miscellaneous:				
Donations	\$ 3,700	\$ 3,700	\$ 2,593	\$ (1,107)
Total miscellaneous	<u>\$ 3,700</u>	<u>\$ 3,700</u>	<u>\$ 2,593</u>	<u>\$ (1,107)</u>
Total revenue from local sources	<u>\$ 19,900</u>	<u>\$ 19,900</u>	<u>\$ 10,026</u>	<u>\$ (9,874)</u>
Total Pool Fund	<u><u>\$ 19,900</u></u>	<u><u>\$ 19,900</u></u>	<u><u>\$ 10,026</u></u>	<u><u>\$ (9,874)</u></u>
Total Primary Government	<u><u>\$ 1,924,000</u></u>	<u><u>\$ 2,179,625</u></u>	<u><u>\$ 1,768,512</u></u>	<u><u>\$ (411,113)</u></u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 19,120	\$ 19,120	\$ 16,664	\$ 2,456
General and financial administration:				
Administration	\$ 221,660	\$ 242,618	\$ 195,784	\$ 46,834
Town attorney	20,540	20,540	19,665	875
Treasurer	138,010	138,010	132,197	5,813
Total general and financial administration	\$ 380,210	\$ 401,168	\$ 347,646	\$ 53,522
Total general government administration	\$ 399,330	\$ 420,288	\$ 364,310	\$ 55,978
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 591,780	\$ 651,280	\$ 594,294	\$ 56,986
Total law enforcement and traffic control	\$ 591,780	\$ 651,280	\$ 594,294	\$ 56,986
Fire and rescue services:				
Volunteer fire department	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Total fire and rescue services	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Total public safety	\$ 606,780	\$ 666,280	\$ 609,294	\$ 56,986
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 374,350	\$ 422,855	\$ 417,333	\$ 5,522
Sanitation and waste removal:				
Refuse collection	\$ 72,700	\$ 72,700	\$ 69,319	\$ 3,381
Refuse disposal	3,200	3,200	2,939	261
Litter control	4,000	4,000	3,371	629
Total sanitation and waste removal	\$ 79,900	\$ 79,900	\$ 75,629	\$ 4,271
Maintenance of general buildings and grounds:				
Rental property maintenance	\$ 2,000	\$ 2,000	\$ 2,989	\$ (989)
Total maintenance of general buildings and grounds	\$ 2,000	\$ 2,000	\$ 2,989	\$ (989)
Total public works	\$ 456,250	\$ 504,755	\$ 495,951	\$ 8,804
Health and welfare:				
Welfare:				
Property tax relief for the elderly and handicapped	\$ 2,500	\$ 2,500	\$ 3,009	\$ (509)
Piedmont Regional Dental Clinic	500	500	500	-
Other	1,200	1,200	1,200	-
Total welfare	\$ 4,200	\$ 4,200	\$ 4,709	\$ (509)
Total health and welfare	\$ 4,200	\$ 4,200	\$ 4,709	\$ (509)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020 (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	\$ 1,720	\$ 280
5K event	900	900	174	726
Orange County parks and rec	600	600	600	-
Woodberry Cemetery calendar fund	1,000	1,000	1,000	-
Total parks and recreation	<u>\$ 4,500</u>	<u>\$ 4,500</u>	<u>\$ 3,494</u>	<u>\$ 1,006</u>
Cultural enrichment:				
Historic Gordonsville	\$ 2,250	\$ 2,250	\$ 2,250	\$ -
Visitor's Center	44,900	49,849	43,298	6,551
The Journey through Hollowed Ground	500	500	500	-
Fried Chicken Festival	4,300	4,300	782	3,518
Total cultural enrichment	<u>\$ 51,950</u>	<u>\$ 56,899</u>	<u>\$ 46,830</u>	<u>\$ 10,069</u>
Total parks, recreation, and cultural	<u>\$ 56,450</u>	<u>\$ 61,399</u>	<u>\$ 50,324</u>	<u>\$ 11,075</u>
Community development:				
Planning and community development:				
Other community development	\$ 1,200	\$ 1,200	\$ -	\$ 1,200
Total community development	<u>\$ 1,200</u>	<u>\$ 1,200</u>	<u>\$ -</u>	<u>\$ 1,200</u>
Capital projects:				
Other capital projects	\$ 23,500	\$ 23,500	\$ 9,923	\$ 13,577
Verling Park Property Purchase	-	40,526	37,529	2,997
Public works facility	13,000	38,794	39,812	(1,018)
Depot - Town	-	62,472	5,501	56,971
Depot - VDOT	140,000	389,888	6,850	383,038
Public works vehicles and equipment	17,750	17,750	20,913	(3,163)
Sidewalks	5,000	21,302	20,359	943
Equipment purchase	16,000	11,200	10,906	294
Total capital projects	<u>\$ 215,250</u>	<u>\$ 605,432</u>	<u>\$ 151,793</u>	<u>\$ 453,639</u>
Debt service:				
Principal retirement	\$ 97,700	\$ 97,700	\$ 139,250	\$ (41,550)
Interest and other fiscal charges	35,720	35,720	53,500	(17,780)
Total debt service	<u>\$ 133,420</u>	<u>\$ 133,420</u>	<u>\$ 192,750</u>	<u>\$ (59,330)</u>
Total General Fund	<u>\$ 1,872,880</u>	<u>\$ 2,396,974</u>	<u>\$ 1,869,131</u>	<u>\$ 527,843</u>
Special Revenue Fund:				
Pool Fund:				
Parks and Recreation:				
Swimming Pool	\$ 51,120	\$ 51,120	\$ 29,011	\$ 22,109
Total Pool Fund	<u>\$ 51,120</u>	<u>\$ 51,120</u>	<u>\$ 29,011</u>	<u>\$ 22,109</u>
Total Primary Government	<u>\$ 1,924,000</u>	<u>\$ 2,448,094</u>	<u>\$ 1,898,142</u>	<u>\$ 549,952</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, 2020, 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 January 13, 2021.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 Farver Cox Associates

Charlottesville, Virginia
January 13, 2021